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Competitive Position of United States Farm Products Abroad

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UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agriculture Service

March 1956

FOREWORD

This report, "The Competitive Position of United States Farm Products Abroad," summarizes the problems and barriers that the U. S. currently faces in exporting its farm products. It is an interim report and was prepared at the suggestion of the Congress.

The report resulted from continuing detailed studies being made by the Foreign Agricultural Service on the agricultural programs and policies in other countries throughout the world which are designed to move agricultural commodities into world trade on a competitive basis.

The purpose of these studies is outlined in the Agricultural Appropriations Act of 1956 (Public Law 40, 84th Congress). This law contains the following proviso..."Provided, that not less than \$250,000 of the funds contained in this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis."

The report of the Committee on Appropriations of the House of Representatives contains this statement..."The Committee believes that such studies are essential to the development of a program to meet the competitive situation facing American Agriculture abroad."

To gather, analyze, and distribute information on foreign competition in agricultural products, the Foreign Agricultural Service has established foreign competition branches in the following seven important commodity fields: cotton; dairy and poultry; fats and oils; fruits and vegetables; grain and feed; livestock and meat products; and tobacco.

In addition, Foreign Agricultural Service maintains a staff that gathers related information on the basis of important world areas. These areas are Europe, Asia and Middle East, Latin America, and the British Commonwealth areas. This information, as well as that processed by the commodity branches, is handled in cooperation with Foreign Agricultural Service marketing specialists and attaches. The latter are stationed in more than 40 countries and areas throughout the world.

The problem of not only increasing U.S. farm exports but also of maintaining them at present levels is made more difficult by several factors. These factors have widely varying impacts on different export commodities and world areas. Within the past year, Foreign Agricultural Service has issued more than 100 circulars and other publications dealing with competition on a particular commodity or on competition in a particular world area.

However, this report summarizes the competitive situation as it applies to all major U.S. export farm crops and to all important world areas.

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COMPETITIVE POSITION OF U.S. AGRICULTURAL PRODUCTS
IN WORLD MARKETS

Summary

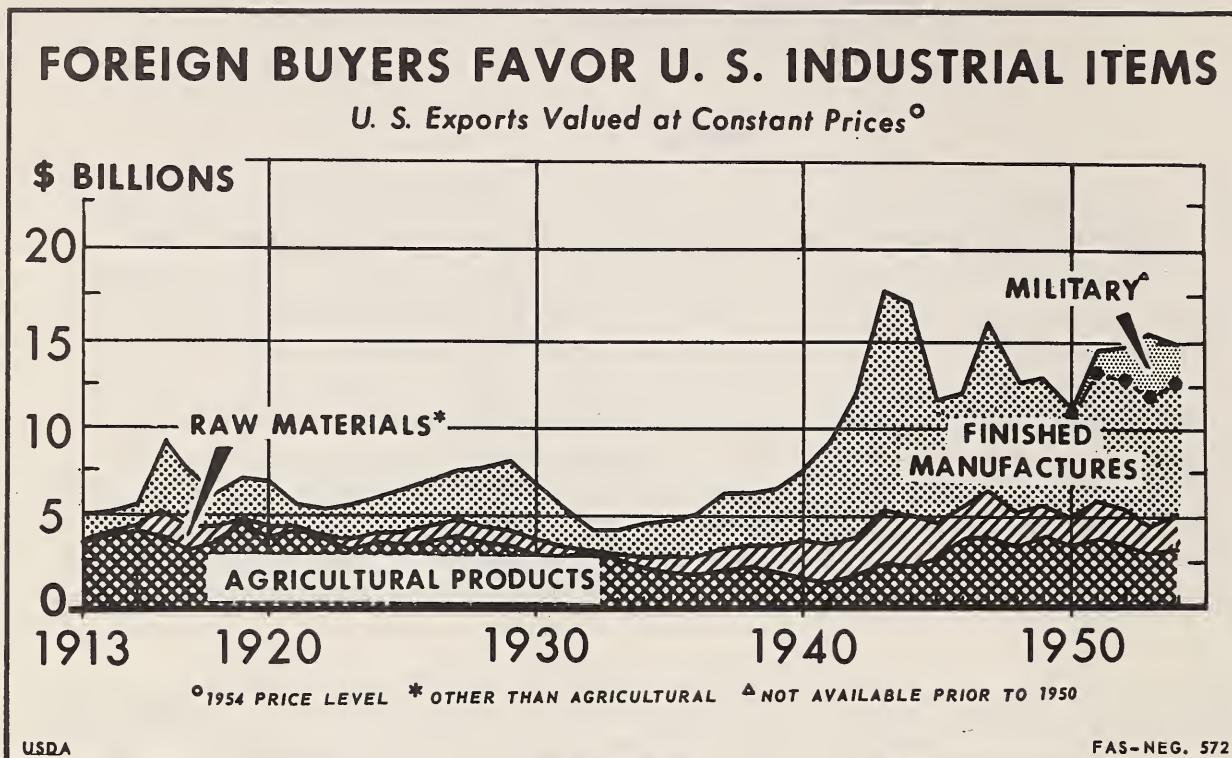
Although competition which U.S. farm products face in foreign markets has greatly increased, the aggregate volume of U.S. agricultural exports rose 18 percent during the past two fiscal years. For the current fiscal year (July 1, 1955 - June 30, 1956), total agricultural exports are expected to be at or above last year's improved level. In 1954-55, volume, was 9 percent below the high level of the late 1920's, 70 percent above the immediate prewar period, 14 percent below the 1951-52 peak (Korean War), and only 2 percent below that of the first five postwar years, during which serious production disruption and shortages abroad and large U.S. aid temporarily created very favorable conditions for a high level of U.S. agricultural exports. The favorable and unfavorable factors and outlook by commodities and by areas are outlined below.

Factors Favorable to U.S. Exports.--There are a number of important favorable factors, including: (1) rising population; (2) improved levels of foreign economic activity; (3) rising incomes with increasing consumption and a shift toward improved diets; and (4) increased gold and dollar reserves and a liberalization of dollar imports in a number of areas.

Factors Unfavorable to U.S. Exports.--The problems, not only of increasing U.S. exports, but of maintaining the present level, are made more difficult because: (1) competitive foreign production of a number of commodities continues to increase about as rapidly or more rapidly in some cases than the effective demand; (2) U.S. prices in some cases are higher than those quoted by competitors; (3) the per-capita demand for certain products, such as wheat, rice and tobacco, is relatively inelastic after incomes rise above even fairly low levels; (4) in some countries, there is a lack of dollars with a higher priority of those available for purchase of U.S. manufactured goods as compared to the alternative of buying our agricultural products; (5) currencies are not freely convertible; and most important (6) there is a multitude of discriminatory trade barriers, especially bilateral arrangements, preferential tariffs, guaranteed purchase agreements, and foreign exchange controls. These barriers exclude U.S. agricultural products from large segments of the markets in many countries.

In the face of U.S. difficulties in maintaining or expanding its exports, several government programs have been used to improve the competitive position of U.S. farm products. Some of them are:

1. The U.S. has pressed for and obtained, through the machinery of the Trade Agreements Program, reductions of foreign duties on many of its farm products.



2. Recently, some progress has been made in obtaining a relaxation of import controls and the elimination of discrimination against important U.S. farm products by a number of countries.

3. Special governmental export programs have been developed for disposing of farm products, including sales for foreign currencies, barter, and donations, which are of great assistance in meeting the dollar exchange shortage.

4. A net work of U.S. agricultural attaches stationed abroad assists U.S. traders in their efforts to expand foreign sales of U.S. farm products.

5. Export market development programs are being expanded with Section 32 funds and foreign currencies obtained through sales abroad under Public Law 480.

6. Work with U.S. exporters has been expanded on the kinds, qualities, and grades of products and the types of containers and packaging desired by foreign countries.

7. To achieve the success attained to date, it has been necessary to collect and analyze more foreign information and expand the distribution of findings relative to prospects for U.S. sales in foreign markets, and the present and future outlook for foreign competition likely to be encountered. These findings involve foreign competitive production, prices and quality, the policies which restrict imports of U.S. products,

and the methods and programs which other countries use to sell their commodities in world markets.

EXPORT OUTLOOK AND FOREIGN COMPETITION BY COMMODITIES

The longer term outlook is favorable for a number of products, but there are also prospects for a continuation of the very difficult problems encountered in even maintaining U.S. exports of other commodities. The export outlook is for a continuation of some of our most difficult problems of increasing foreign competition encountered in attempting to maintain or expand the U.S. share of world trade in wheat, cotton and rice, for which the level of international trade is static or declining. The longer term outlook for U.S. tobacco exports is not encouraging. The outlook is favorable for exports of fats and oils, high protein animal products, feed grains, and certain types of fruits for which world demand and international trade is expanding. Increasing foreign competition is anticipated, however, particularly in regard to feed grains and fruits.

Wheat.--This fiscal year, 1955-56, the U.S. should export about 275 million bushels of wheat and flour or about the same as in 1954-55. World trade in wheat has been at a rather constant level for several years and foreign competitive production continues to increase. In 1954-55 about half of U.S. wheat exports were moved under government programs. In addition to large export surpluses in Canada, Argentina and Australia, greater competition has been encountered from increasing surpluses in France (recently an important exporter) and this year by larger exportable supplies from Uruguay, French North Africa, Iran, and Turkey. Competitive pricing and a continuation of strong efforts under special export programs are necessary if the U.S. is to continue to gain access to markets and maintain exports.

Feed Grains.--U.S. exports of corn and other feed grains this year are expected to reach 7.5 to 8 million tons as compared to only one-half million tons in 1954-55 and prospects are good for maintaining or increasing our foreign shipments. Although world production of feed grains in fiscal 1955-56 is expected to establish a new high, the U.S. is in a good position to supply much of the larger amounts needed to feed increasing numbers of livestock required to supply the rising demand for meat and other livestock products. There is greater competition from increased production of oats and barley in Australia and Canada, and larger output of corn in the Union of South Africa, and this year's larger corn crop in Argentina is expected to furnish even more competition. In the longer run, greater competition will be encountered, if the recently announced program of Argentina results in an expansion of production and exports of corn and other feed grains.

Rice.--U.S. exports of rice are expected to be higher in 1955-56 than in 1954-55, but below the average of the three-year period ending in July 1955. Recently, world prices as well as U.S. prices have declined, but largely because of U.S. price supports, U.S. prices are still above the

prices of a large portion of rice moving in world trade. This year, U.S. prices are more nearly competitive and foreign exportable surpluses are smaller. In the longer run, if the U.S. is to maintain or expand rice exports in the face of increasing production for export by Thailand and certain non-Asiatic countries, it must be competitive in regard to price, and must continue to move large quantities under special government export programs. The dollar exchange problem in the major foreign rice markets can be resolved only by special programs.

Cotton.--U.S. exports of cotton have declined sharply in recent years, although world consumption continues to rise. Increased foreign production of cotton and synthetic fibers and more recently lower prices for some foreign growths are primarily responsible for the decreasing volume of U.S. cotton exports. Purchases of cotton by private traders rose sharply during January 1956 under the special (one million bale) cotton export program. The U.S. must meet competitive prices if export markets are to be regained. However, cotton is the most profitable cash crop of many cotton exporting countries, and in many, constitutes an important foreign exchange earner. For these reasons, it will be very difficult to increase greatly U.S. exports through moderate price reductions alone.

Tobacco.--Export prospects for tobacco in the current fiscal year are good because of improved levels of foreign economic activity, increased gold and dollar reserves in major importing countries, increased foreign consumption, relatively low stocks in a number of importing countries, and purchase for foreign currencies under Public Law 480. However, the longer-term outlook is not encouraging. The U.S. share of total world tobacco trade continues to decline. This decline is due largely to sharply expanding competitive production of cigarette tobaccos resulting chiefly from the preferential import duties, and widespread and increasing use of discriminatory trade arrangements (mostly bilateral agreements). U.S. prices of certain types and grades, which are higher than those of some of our competitors, are also an important factor in a number of markets. The decline in U.S. share of total world trade is likely to continue.

Dairy Products.--U.S. exports of dairy products have been relatively small, but foreign sales of certain types have been increasing. The demand for dried milk and anhydrous milk fats is rising and is expected to continue. The future level of U.S. exports will depend largely on U.S. prices and the means with which the importing countries have of paying for such products.

The primary factors limiting U.S. exports are the lack of dollars in importing countries. Prices quoted for U.S. dairy products are consistently higher in most cases than those for products in competing countries.

There is also a general tendency in the important importing countries to reduce dairy product imports, and attempt through various direct and indirect aids to domestic production to obtain a larger proportion of total supplies from domestic output.

Poultry Products.--U.S. exports of poultry products have risen from about \$1 million in 1937 to \$33 million in 1955 - an all-time high. This upward trend is expected to continue. The quality and prices of most U.S. poultry products compare favorably with those of U.S. competitors. This country has a large potential for expanding output. However, any large expansion in U.S. exports in the next few years will depend to a considerable extent on a sharp increase in foreign demand for poultry products, significant decreases in import duties in some countries, and the removal of numerous import restrictions, many of which are initiated under the guise of sanitation and disease controls. The bulk of U.S. exports is to Latin America. Main competitors of the U.S. in export markets are Denmark and the Netherlands. These countries have the advantages of lower wage rates and feed costs, and in regard to the important markets of Western Europe, they also have lower transportation costs.

Other Livestock and Meat Products.--The U.S. has a potentially expanding export market not only for lard and tallow but also variety meats (offsals). U.S. prices of lard and tallow are the lowest in the world market. Except for better cuts of meat, U.S. prices for meat products generally are competitive. In all countries, however, producers of animal products are sensitive to foreign competition, and foreign government protection can be expected to be an important limiting factor in the U.S. export volume.

Vegetable Oils and Oil Seeds.--Exports are expected to continue at a high level in the near future. Last year, U.S. exports of cottonseed and oil, soybeans and oil, and flaxseed and oil were at record high levels and, except for linseed oil, are expected to increase even further in 1956. Competition in recent years has declined largely due to sharply reduced exports of soybeans and oil from Manchuria and restricted shipments of peanuts and oil from India at the time when U.S. production of soybeans continued to rise. Recently, foreign competition has not been a major factor in determining U.S. export levels.

The improved economic activity and rising demand for fats and oils in many importing countries, competitive prices for U.S. commodities, disposal under foreign aid programs, and smaller supplies of certain foreign competitive oilseeds are important factors in the favorable U.S. export situation.

Fruit.--Total exports of fruit this year are expected to exceed those of last year, although competitive foreign production of several fruits is increasing.

Both European and Southern Hemisphere deciduous fruit production is increasing. This, coupled with protectionist policies in European countries, points toward continued difficulties for U.S. deciduous fruit exporters.

Foreign citrus production, especially in the Mediterranean area, is increasing at about the same rate as in the U.S. World demand for citrus, however, is rising and U.S. exports of fresh and processed citrus should maintain their level of world trade. U.S. canned fruit exports should expand above current levels, despite increasing competition from Australia and South Africa, because of the favorable competitive position of U.S. products. Foreign competition to U.S. dried fruit exports is expected to continue to be strong. Although the 1955 world tree-nut supplies were short, foreign tree-nut production is expected to increase above the post-war levels.

Competition From Foreign Areas.--During the war and early postwar period nearly all major countries closely controlled their trade to provide food for their populations and to save foreign exchange. As agricultural production increased there was a considerable relaxation of these controls, but they continue to be used as a medium of conserving exchange, regulating prices, protecting domestic production and directing export trade in industrial products. Many countries which export agricultural products have an advantage on the U.S. in that they are large markets for industrial products and trade between these agricultural exporters, and the industrial countries are encouraged by bilateral trading or special credit or exchange arrangements. In countries importing agricultural products, domestic producers are often encouraged by tariffs, subsidies, or other concessions to maintain a higher degree of self-sufficiency in production of food or other agricultural products. There are still several countries where preferential treatment is given to agricultural products of dependent territories or is controlled by special trade organizations. Through these arrangements a large proportion of the world trade is directed into certain channels or given preference in certain markets. These competitive conditions in different areas of the world are discussed in more detail below by major areas of the world and for the more important agricultural countries.

The Task Ahead.--The task ahead of the U.S. is to maintain and expand U.S. agricultural exports. To do this, it is essential to: (1) continue and intensify the study of all factors affecting competition between U.S. and foreign farm products, including (a) the supply, demand, and price situations, primarily in regard to their effect on U.S. exports, and (b) foreign government policies, programs, laws, and regulations affecting agricultural production, imports, exports, and domestic consumption in relation to their influence on U.S. exports; (2) continue and intensify efforts to get through trade agreements programs and diplomatic negotiations, freer access to foreign markets for U.S. farm products; (3) continue special export programs (such as foreign currency sales and barter) that are designed to overcome some of the export difficulties, especially discriminatory trade barriers (particularly bilateralism) and dollar exchange deficiencies; (4) continue and expand U.S. foreign market development programs; (5) expand systematic efforts to encourage the production and sale of the kinds and grades of products needed to meet foreign demand; (6) continue close cooperation and maximum reliance on private trade in the common task of maintaining or expanding U.S. exports;

and (7) in a number of cases, U.S. export prices must be made more nearly competitive to move products into foreign markets and at the same time avoid, insofar as possible, the stimulus that higher U.S. prices has in increasing foreign competitive production.

CURRENT EXPORT PROBLEMS

Foreign Production and Demand Situation

In the early postwar period, agricultural production abroad was substantially below the prewar level. It expanded rapidly, however, and in the last three years has been substantially higher in relation to population than before the war. This per-capita increase has been especially large in the non-Communist areas.

The most significant changes are in the progress of underdeveloped countries. The economies of these countries are mostly agricultural. Many of their governments are young and are struggling for increased economic strength and political reinforcement. Great efforts are being made toward economic development. Particular emphasis is being placed on agricultural development, for both its political and its economic appeal, and because in many areas it offers the quickest means of earning needed foreign exchange. Increased production of wheat, rice, cotton, and tobacco is emphasized in many agricultural development programs.

Greatly increased emphasis on government programs toward expanding agricultural production through the use of improved methods, increased use of fertilizer, improved varieties of crops and livestock breeds, better plant and livestock pest control, and irrigation and drainage projects, together with high and stable world prices supported by the U. S., have been the principal reasons for the increase. Generally favorable weather, especially the last three years, combined with the results of these programs, helped increase agricultural production in many areas. The prospect is that during the next three to five years efforts in these countries will continue to be directed toward expansion of agricultural production and world trade.

Because of the relative inelasticity of consumer demand for cereals, cotton, and tobacco in the more developed areas and the low levels of income in underdeveloped areas, effective per-capita demand for these products is not adequate to avoid difficulties in the disposal of increased total production. The changes in the world supply and demand situation in recent years have resulted in much more than proportionate changes in foreign demand for U. S. wheat, rice and cotton. In the early postwar period, when world supplies were scarce, importing countries tended to replace deficits in domestic production and supplies from other exporting countries by sharply increasing their takings of U. S. farm products. U. S. economic aid enabled them to do this despite their lack of foreign exchange. At present, however, after supplies both in importing countries and in other exporting countries have increased sharply, the importing countries tend to reduce proportionately their purchases of U. S. farm products even though the gold and dollar position of many of them has greatly improved.

However, levels of living have improved in nearly all countries in recent years and are expected to continue to advance. Also, world population is increasing at an unprecedented rate. Both of these factors are expected to increase the demand for agricultural products -- especially for the types of commodities needed to improve diets.

Import Restrictions and Discriminatory Barriers

Until World War I, import duties were the major barrier to world trade. Most of these duties were levied at the same rate on all imported products regardless of the country of origin. Since the 1930's, however, preferential tariff arrangements have become important in the case of many countries and territories. The most important of these arrangements are the Empire preferences granted to each other by members of the British Commonwealth, but those between France and members of the French Union as well as those between Portugal and her overseas territories are also important.

Since World War I, the use of direct controls of trade and payments (quotas and embargoes, import and exchange licenses and permits, mixing and milling regulations, etc.) have been extended. Since the 1930's a tendency has developed to apply these controls in a discriminatory manner, i. e., to use them to restrict more severely imports from some countries than from others. U. S. agricultural exports suffer particularly from this type of discrimination.

In the early postwar period, the direct trade controls served primarily as a means of alleviating serious foreign exchange shortages that developed as a result of the war and its aftermath. Discrimination then served mostly to keep imports within the limits of available supplies for foreign exchange. Because dollars were then quite scarce, foreign governments controlled imports from the U. S. and other dollar countries more severely than those from the so-called soft-currency countries. To increase trading opportunities under these conditions, soft-currency countries developed a great multitude of preferential bilateral and regional trading and payment arrangements.

Except for products (such as fruits) that were classified as "non-essentials" in the trade and exchange control category of soft-currency countries, U. S. agriculture was, nevertheless, able to expand greatly its exports during that period. As noted above, it was able to do this because the levels of agricultural production, both in importing and in competitive exporting countries were very low, and very large amounts of our agricultural exports were financed under U. S. aid programs.

Since 1948, the financial position of foreign countries has improved. The total gold and short-term dollar assets of friendly countries rose from \$15 billion on December 31, 1948 to \$30 billion on September 30, 1955 - an increase of 100 percent. Important non-dollar currencies, in particular those of several Western European countries, have become much

harder. Because of increases in their dollar earnings, the ability of a number of foreign countries to buy dollar goods has improved in spite of a reduction in U. S. economic aid. These dollar earnings have risen because of much larger U. S. imports, greater spendings by U. S. tourists and soldiers abroad, increased U. S. Government expenditures for overseas troops and military installations, and gold reserves have been increased by a larger flow of newly mined gold.

As agricultural production expanded in the importing countries, political pressures developed in these countries for maintaining controls (originally imposed for balance of payments reasons) as a means of protecting their producers against competition from imports. These restrict exports of U. S. agricultural products to a number of important markets.

At the same time, strong vested interests developed in the maintenance and further expansion of preferential bilateral and regional trading arrangements among non-dollar countries. Industries in the countries which are major importers of agricultural products had found assured markets in agricultural exporting countries under the shelter of these arrangements. Some of these countries claim that their ability to maintain and expand sales abroad (particularly manufactured goods) depends on continued preferential treatment for the agricultural products imported from their partners under terms of these arrangements. These arrangements have improved the competitive positions of a number of countries which export agricultural products, particularly Turkey, Greece, Argentina, Brazil, French overseas territories, and British Commonwealth areas. The level of prices loses much of its importance under these conditions. Nevertheless, in the past few years a considerable relaxation of direct controls on dollar imports of agricultural products has been achieved, particularly in several important importing countries of Western Europe.

In addition, stronger emphasis is being placed by many countries, especially underdeveloped countries, on capital goods imports so as to accelerate economic developments. This has strengthened tendencies to expand agricultural production as a means of increasing self-sufficiency and thereby saving dollars for the purchase of capital goods in a number of areas; while in others increased imports of capital goods are achieved by expanding agricultural exports. Both of these increase the competition which U. S. agricultural products face in foreign markets.

Price Competition

While importing countries have restricted the imports of U. S. farm products, several countries have lowered the export prices of their farm products in response to changing world demand and supply situations. Other countries also have price supports, but most of these do not support prices at as high levels as does the U. S. In a number of cases the stability and higher levels of U. S. prices not only tend to decrease our exports, but in the long-run contribute to greater competition from

expanding foreign production. Some foreign governments have improved the competitive position of their export products by lowering export prices through such means as:

1. Currency devaluation (e.g., Mexico and Pakistan, which are large exporters of cotton, devalued within the last two years by about 31 percent; Argentina, which last year raised the dollar exchange rate from 5 to 16.20 pesos for wheat as a part of a comprehensive devaluation move; and Brazil, which raised the export rate for cotton from 28.36 cruzeiros per U. S. dollar to 43.06); and

2. Export subsidies (e.g., France, which sharply expanded its wheat exports by means of an export subsidy equal to 50 percent of the domestic price).

Problems in Shrinking and Expanding World Markets

In maintaining and expanding U. S. exports, our objectives are: (1) to maintain our share in the markets that, for reasons beyond our control, are shrinking or static; and (2) to maintain or expand our share in the markets that are growing.

The problems encountered in maintaining the U. S. share of total exports for the commodities for which the levels of world trade are stable or declining are more difficult and frequently different from those involved in expanding U. S. exports of commodities for which total world trade is rising.

The problems are more difficult in connection with maintaining the U. S. share of total exports of cotton, wheat, and rice for which the levels of world trade are relatively constant or declining. This situation hurts this country very badly in the case of cotton. Although world consumption is expanding, the level of international trade in cotton is stable, and competitive foreign production is increasing. Under such circumstances, the U. S. share of world exports continues to decline. The situation is somewhat similar in the case of wheat. World trade in wheat is fairly static and foreign supplies available for consumption have been increasing, so we find comparatively little opportunity to expand U. S. exports.

While problems are encountered in expanding almost any U. S. agricultural products, the difficulties are more easily overcome in the case of soybeans, fats and oils, high protein foods, feed grains, certain types of fruits, and other products for which world trade is growing.

Potential For Expanding Exports of Specified Products

There are two groups of commodities for which we have important opportunities in expanding world markets. They are: (1) certain joint

products; and (2) new products for which we have advantages in know-how and/or processing facilities.

1. Joint Products: Joint products -- sometimes called by-products -- are those which are produced as a part of another commodity. The U. S. market utilizes the bulk of the major commodity as well as part of the by-products, but a big supply of the byproducts is available for foreign markets. A number of animal products are examples, including lard, tallow, greases, so-called variety meats, fat backs, hides and skins, meat scraps, and certain canned meats.

There is a continuous supply of such U. S. products available for export since domestic production and slaughter of animals tend to expand along with increases in our population. U. S. prices of such products are competitive in world markets, and our quality and sanitary standards for such products are high.

2. New Products in Which the U. S. Has Advantage in Know-How or Plant Facilities: We have opportunities to expand foreign sales of those products (usually relatively new ones) for which we have a competitive advantage because of our know-how and/or processing facilities.

Milk products used for recombining into whole milk is an example. In several countries, successful new recombining plants have been set up that blend dried nonfat milk and butter oil, both from the U. S., to make a palatable, nutritious whole milk for distribution to consumers.

Prepared livestock feeds is another example. As the world's levels of living rise, there is increased demand for locally-produced animal products -- and areas that are short on livestock feed offer an excellent potential market for U. S. feedgrains and, as long as domestic facilities are inadequate, some U. S. feed mixtures.

A third example is crystallized and concentrated fruit juices. Sometimes it is difficult to compete in the sale of fresh fruit in world markets, but no country has yet matched the skill of the U. S. fruit industry in processing citrus juices into concentrated form. These can be readily and cheaply transported anywhere and used even where refrigeration is not available. Another example is U. S. dried egg products.

Efforts to Secure Free Access to Foreign Markets

The problem of maintaining and expanding U. S. agricultural exports in the face of this serious impairment of their competitive position abroad has been attacked on a number of fronts. The two most important are the efforts to reduce discriminatory trade barriers which U. S. products face in foreign markets, and the operation of special government programs to increase U. S. exports.

Reducing Discriminatory Barriers and Liberalization of Dollar Imports. -- The machinery of the Trade Agreements Program has been used to obtain tariff concessions (including both duty reductions and bindings of the import duties of foreign countries against increase). By value, tariff concessions (reductions as well as bindings against increases) have been obtained for about two-thirds of U. S. agricultural exports. In a number of cases this program has contributed more through preventing increases in duties than in lowering those already in effect. Additional tariff concessions for U. S. agricultural products are being sought in negotiations currently under way in Geneva. It may be very difficult to secure additional tariff concession in the near future.

Regarding quantitative trade and exchange controls, which in many cases have impaired the benefits from tariff concessions obtained by the U. S., not much could be done in the earlier postwar period when many countries were in serious financial difficulties. However, as their exchange situation improved, efforts have been made to secure liberalization of these controls, and particularly, elimination of their discriminatory features. Within the last three years, considerable progress has been made, especially in U. S. trade with Western Europe.

As of December 1955, the United Kingdom had liberalized trade and eliminated discrimination against dollar area grains, cotton, and to a considerable extent, fats and oils. More liberal treatment is being given to fruits.

Germany has eliminated quantitative restrictions on dollar cotton, tobacco, and oilseeds, and temporarily has opened tenders for lard and fruit.

Netherlands and Belgium have liberalized nearly all agricultural commodities from the dollar area other than fruits.

Sweden - cotton, rice, dried and canned fruit, and hides and skins.

Denmark - cotton, tobacco, oilseeds, raisins and hops.

Portugal - wheat, tobacco and hops have been liberalized, but wheat and tobacco are under state monopolies which may control imports.

Greece has achieved a high level of liberalization of dollar imports.

On the other hand, Italy and Norway, with the exception of cotton waste and hides and skins, have not liberalized agricultural products from the dollar area.

Spain has not liberalized the imports of agricultural products, except cotton linters, hides and skins.

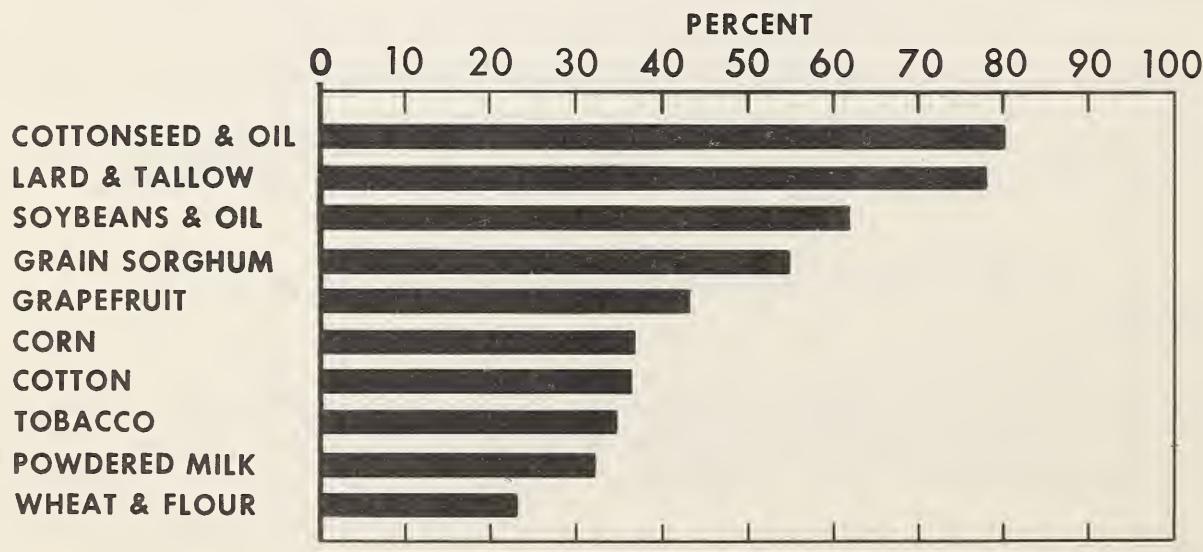
France has not liberalized dollar imports, although her gold and dollar balances have recently increased sharply.

The effect of dollar trade liberalization, elimination, or modification of foreign exchange controls on dollar imports has of course varied from country to country and from commodity to commodity, depending chiefly on consumption trends, relative prices, and the degree to which controls had previously restricted the imports of U. S. agricultural products. In a number of cases imports of these agricultural items from dollar areas were fairly freely granted even before these liberalizations. While these liberalizations of dollar imports will be helpful, they will not result necessarily in increased imports of U. S. agricultural products.

Efforts to secure further trade liberalization or modification of foreign exchange controls on dollar imports for U. S. farm products will be vigorously continued. They will be pressed particularly in countries that have been able to increase their gold and dollar reserves substantially in recent years but have lagged in the liberalization of agricultural imports. Efforts will also aim at securing extension of trade liberalization to items, such as animal products and fruits, which even the countries that have taken substantial steps toward freeing dollar trade have hesitated to include in their liberalization programs. Although there is widespread use of state trading monopolies to regulate trade in grains, tobacco, dairy and livestock products, fats and oils, etc., efforts will be made to secure non-discrimination in the import policy of these monopolies.

U. S. AGRICULTURE IS A BIG SUPPLIER IN THE WORLD MARKET

U. S. Exports as a Percent of World Exports, 1954



Special Government Export Programs. -- Special government export programs, especially Public Law 480, are making a contribution to maintaining and expanding U. S. agricultural exports in a number of countries which continue to have dollar exchange difficulties.

With foreign currencies which accumulate from Public Law 480 sales, a variety of market development projects is being initiated. These include efforts to acquaint foreign traders with U. S. products and the U. S. systems of marketing and grading; promotion of agricultural exhibits at foreign trade fairs; and education and demonstration campaigns aimed at more effective handling and use of U. S. commodities; and market analyses.

U. S. agricultural attaches stationed in countries which import U. S. agricultural products as well as those in competing exporting nations appraise the outlook for U. S. sales in these areas and evaluate the present and probable future competition that U. S. commodities are likely to encounter from foreign production.

THE SITUATION BY COMMODITIES

Food and Feed Grains

The prosperity of U. S. grain producers has long depended to a substantial extent on a high level of exports. Until quite recently, the postwar demand for grain and grain products was such that the nation's surpluses found ready outlets in many parts of the world where they were needed to offset deficits in local production. Today, in the face of increased production not only in competing exporting countries but in importing countries as well, the situation is quite different. Conditions now favor buyers to such an extent that the fullest cooperation of both government and the trade is required even to maintain exports at existing levels.

The U. S. currently has record supplies of both food grains (wheat and rice) and coarse grains (corn, oats, barley, and grain sorghums). These are being offered in world markets at competitive prices, although world market prices in most instances are well below U. S. support levels. Wheat and rice are by far the most important food grains entering into the nation's export trade. Corn holds first position in U. S. coarse grain exports. Barley, grain sorghums and oats follow in the order indicated. Rye exports are relatively insignificant.

The significance of export markets for U. S. surpluses of these commodities is shown in Table 1. During 1954-55, grain exports represented the product of 21,887,000 acres of U. S. farm land compared with an average of 30,030,000 acres annually during the 5-year period immediately following World War II and an average of only 6,108,000 acres during the 5-year period immediately preceding the War.

Factors Affecting United States Exports

A wide variety of elements enter into the competitive situation confronting United States grain exporters in world markets this year. While it is impossible to generalize for all grains, the outstanding factors are as follows:

- Unfavorable Factors. -- 1. Increased export availabilities in major grain exporting countries because of large crops and the record or near record stocks carried into the 1955-56 season.
- 2. Reduced import requirements in most importing countries due to above-average carryover stocks and record or near record crops in most of the importing countries.
- 3. High government price supports in many countries, especially for wheat, in order to encourage producers to supply a larger percentage of domestic requirements.

Table 1. -- Relation of U. S. food and feed grain exports
to harvested area

Marketing year				Produced for export		
	Area harvested	Yield per acre	Production	Total	Share	Acreage 1/
	acres	bushels	bushels	bushels	Percent	acres
Average 1934-35 through 1938-39	1,000		1,000	1,000		1,000
Wheat.....	55,429	12.9	715,597	45,229	6.3	3,506
Rye.....	3,319	12.2	40,462	1,524	3.8	125
Corn.....	93,482	22.3	2,089,141	37,860	1.8	1,698
Oats.....	34,960	27.5	962,637	4,506	0.5	164
Barley.....	9,584	21.5	206,461	9,687	4.7	451
Grain sorghums.....	3,880	12.5	48,849	154	0.3	12
Rice (rough).....	1,064	49.6	49,853	7,569	15.2	152
Average 1945-46 through 1949-50						
Wheat.....	71,024	16.9	1,202,396	416,083	34.6	24,620
Rye.....	1,810	12.3	22,336	4,157	18.6	338
Corn.....	85,696	35.7	3,056,861	76,856	2.5	2,153
Oats.....	40,184	34.3	1,376,527	21,238	1.5	619
Barley.....	10,713	25.5	273,306	20,207	7.4	792
Grain sorghums.....	6,476	22.9	148,299	19,248	13.0	841
Rice (rough).....	1,690	46.6	78,842	31,098	39.4	667
1954-55						
Wheat.....	54,279	18.1	984,846	272,904	27.7	15,078
Rye.....	1,717	14.2	24,320	3,015	12.4	212
Corn.....	80,369	37.5	3,010,248	81,833	2.7	2,182
Oats.....	42,291	35.4	1,497,045	15,426	1.0	436
Barley.....	13,183	28.1	370,502	43,907	11.8	1,563
Grain sorghums.....	11,218	19.3	216,086	35,044	16.2	1,816
Rice (rough).....	2,542	56.1	142,702	33,669	23.7	600

1/ On basis of indicated yields per acre.

2/ Excludes flour not wholly of United States wheat.

4. Willingness of competing exporters to subsidize or otherwise expedite the disposal of their surpluses, especially of wheat, in foreign markets.

5. Continued control over imports by deficit countries either for the purpose of conserving dollar exchange, thus encouraging grain imports from non-dollar sources, or to assure markets for grain, especially wheat, produced domestically under high price supports.

6. Extensive use of bilateral agreements and barter arrangements for the importation of grain from non-dollar sources of supply.

7. Exportation of grain by foreign competitors at prices lower than U. S. support levels.

8. Continued lack of full-scale convertibility of currencies in a number of grain importing countries.

9. Difficulties resulting from the fact that a substantial part of the world's bread and coarse grain imports, and virtually all of the world's rice imports, are subject to governmental controls of one kind or another.

Favorable Factors. -- 1. Greatly improved economic conditions and purchasing power in many countries, especially in European grain-importing countries.

2. Increased dollar earnings and holdings in a number of foreign countries.

3. Increased feed grain requirements in many foreign countries as a result of a continued upward trend in livestock numbers and in the quantities of feedstuffs fed per animal unit.

4. Likelihood of maintaining U. S. grain exports at high levels, despite existing conditions of foreign competition and demand, because of the opportunities provided for moving grains into export channels under one or more of the surplus disposal programs authorized by Congress.

Wheat

The principal factors affecting the competitive status of U. S. wheat exports in foreign markets this year are the heavy export availabilities in both the U. S. and in several other surplus producing countries, and the reduced import requirements in many of the deficit producing areas. In this country, the supplies available for export stood at one billion bushels at the beginning of the current crop year (July 1, 1955). Actual U. S. exports last year amounted to only 273 million bushels. In Canada, Argentina, and Australia, the combined export availabilities for the same 12-month period may be estimated at not less than 900 million bushels compared with their actual exports last season of only 478 million bushels. In addition, the 1955-56 exportable surplus is estimated at nearly 100 million bushels in France, 25 to 30 million bushels in Uruguay and 10 to 15 million bushels in French North Africa. Moreover, despite a need to build up reserve stocks because of last year's low crop, Turkey has indicated its intention of re-entering the export market.

This adds to a total export availability in the specified exporting countries for the current season almost two billion bushels, or more than double the world's total import requirements. Such requirements last year amounted to 950 million bushels, and there is nothing to indicate any significant increase for the immediate future. On the contrary, the past two or three years have constituted a period in which the persistent efforts of importing countries to expand their production have come to fruition - thus reducing their dependence on foreign sources of supply.

As a result, the wheat exporting countries, some of which have also been concentrating on expanding production for export, have had to face increasingly serious problems of mounting surpluses.

Wheat Production Outside the U. S. Shows Marked Increase. -- World wheat production shows an upward trend since the end of World War II (Table 2). Most of the increase has been in countries outside of the United States. Compared with the 1935-39 average, the 1955 U. S. crop shows an increase of about 24 percent. In all other Free World countries, aggregate total production increased by 28 percent. With respect to the latter countries, the increase in major Free World exporting countries competing with the U. S. amounted to 41 percent. In other Free World countries excluding the U. S., mostly wheat importing areas, the increase amounted to about 19 percent. In Communist Bloc countries, production in the same period shows an increase of about 11 percent, most of it taking place in Soviet Russia.

Table 2. -- Wheat production in indicated areas during stated periods

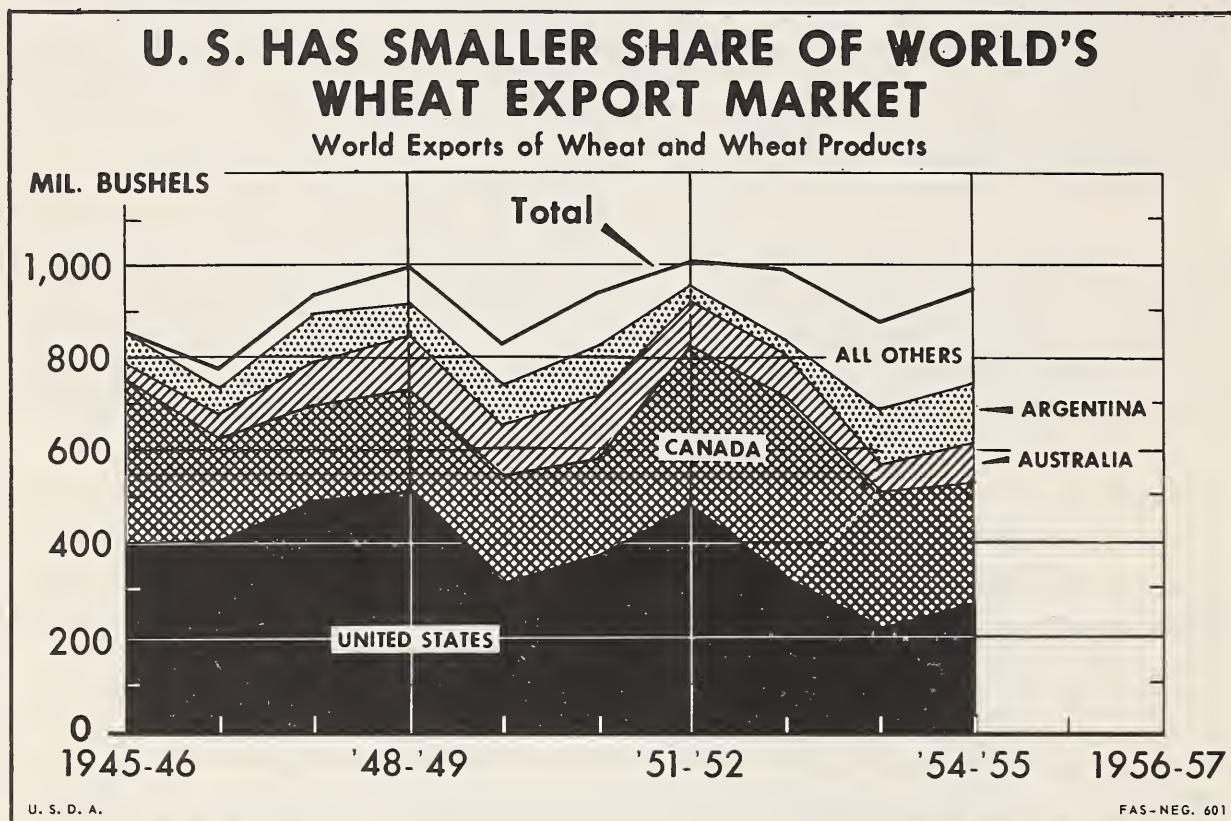
Year	Foreign free world		Communist bloc	Total foreign production	Estimated world	
	United States	Major 1/ exporters			Others	
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels
1935-39.....	759	1,167	1,664	2,495	5,326	6,085
1945-49.....	1,202	1,134	1,469	2,090	4,693	5,895
1952.....	1,298	1,762	1,698	2,662	6,122	7,420
1953.....	1,169	1,730	1,915	2,576	6,221	7,390
1954.....	984	1,395	1,950	2,616	5,961	6,945
1955 prel...:	938	1,645	1,977	2,765	6,387	7,325

1/ Comprising Canada, Argentina, Australia, Turkey, France, Sweden and Uruguay.

Including the U. S., the world's wheat crop in 1955 amounted to 7.3 billion bushels. This was slightly below the all-time record of 7.4 billion in 1952 and compares with the 1945-49 average of 5.9 million and the 1935-39 average of 6.1 billion. Except in the case of Russia and other Communist areas, the increase was due mainly to higher yields per acre resulting from the use of better yielding varieties, improved cultural practices, greater use of fertilizers, and favorable weather. The United States is the only major exporting country where positive action has been taken to limit production in order to bring supplies into closer balance with market requirements.

Situation in Major Competing Areas. -- Since the end of World War I, Canada, Argentina and Australia have been the principal surplus producers

competing with the U. S. in foreign markets. In each of these three countries wheat exports are in the hands of Government monopolies. Competition from such earlier major surplus producing areas as Russia and the Danube Basin has been sporadic and at a greatly reduced level since the end of the First World War. On the other hand, France and Turkey, formerly wheat deficit producing areas, have emerged as important exporters, especially France. At the same time, the competitive status of such minor exporting areas as Uruguay, French North Africa, and Syria has been substantially increased.



Canada has a near-record supply of wheat (nearly a billion bushels) this season. This consists of a new crop of about 500 million bushels and a carry-in of approximately another 500 million bushels. Actual domestic requirements amount to only about 160 million bushels annually. Last year, when total supplies amounted to 911 million bushels, Canada exported 253 million bushels, between 65 and 70 percent of it going to European markets and most of the balance to Asia.

Canadian wheat, which consists mostly of the hard red spring varieties with a fairly high protein content, competes in world markets with U. S. hard red winter and hard red spring wheats. These are the types in greatest demand in Europe which takes over half of all the wheat annually moving into channels of international trade. Canadian wheat growers are guaranteed an initial price of \$1.40 per bushel on deliveries

to the Canadian Wheat Board and subsequently received additional payments depending on profits realized by the Board from its sales in domestic and export markets.

It is still too early to venture a firm estimate of export availabilities from Argentina's new wheat crop harvesting of which was completed in January, 1956. Trade estimates place the crop at about 190 million bushels compared with 283 million bushels a year ago. With a December 1, 1955 carry-in of 83 million bushels, total supplies for that country's 1955-56 (December-November) marketing season should amount to 273 million bushels compared with 354 million bushels in 1954-55. Allowing 130 million bushels for domestic needs and an additional 65 million bushels for year-end carryover, the quantity available for export would amount to about 80 million bushels compared with actual exports of 130 million bushels during the same months of 1954-55.

The reduction in the Argentine crop is not likely to be reflected in the quantities moving into export channels until the last six months (July-December) of calendar 1956. In the meantime, unless the situation is changed by internal economic and political disturbances, January-June, 1956 exports should continue at not less than the July-December 1955 level when they amounted to 63 million bushels. On that basis, Argentine wheat exports for the year ending June 30, 1956 would amount to 126 million bushels compared with 132 million in 1954-55.

Slightly more than 57 percent of Argentina's 1954-55 exports went to European markets, mainly Italy, Germany, Poland, the Netherlands, the United Kingdom and Belgium. Most of the balance went to nearby markets in Latin America, especially to Brazil. A substantial quantity was sold also in the Japanese market. Southern Argentine wheat is roughly comparable to U. S. winter wheat. The crop in the rest of the country consists mainly of hard and soft red winters and some durum. Farmers are obliged to sell their wheat to a government monopoly which then sells for domestic use in Argentina or to exporters for sales abroad. The fixed monopoly purchase price for the 1955-56 crop is 70 pesos per quintal (\$1.18 per bushel on the basis of 16.2 pesos to the dollar).

Australia's new wheat crop, harvesting of which was completed in January, is tentatively estimated at 200 million bushels compared with 167 million bushels last year. The December 1, 1955 carry-in amounted to approximately 94 million bushels. Total supplies for the country's 1955-56 (December-November) marketing season amount to 294 million bushels compared with 260 million bushels in 1954-55. Allowing 71 million bushels for domestic requirements and as high as 90 million bushels for year-end carryover, the quantity available for export should be in the neighborhood of 133 million bushels. During the corresponding period a year ago, exports amounted to 91 million bushels.

Australian wheat consists largely of types comparable to the white wheats grown and exported by farmers in the U. S. Pacific Northwest. About half of the Australian exports go to the Far East. During 1954-55

(July-June), when Australia's exports to all destinations totaled 94 million bushels, shipments to the Far East amounted to 45.8 million bushels. The principal buyers in that area were India, New Zealand, Ceylon, Indonesia, Malaya, Singapore, and Japan. Outside of the Far East, U. S. exporters had to meet competition from Australia not only in European markets but also in a number of Middle Eastern and African markets as well.

All phases of the marketing of the Australian wheat crop are the exclusive prerogative of the Australian Wheat Board. For the 1955-56 crop, that agency is guaranteeing growers a minimum price of \$1.46 per bushel for fair average quality wheat, f.o.r. ports. However, after receiving initial payments, growers receive supplementary payments depending on the quantity and quality of wheat delivered to the Board and profits made by the Board in disposing of wheat.

The rise of France in recent years to fifth place among the world's wheat exporters has been a development of outstanding significance to the competitive status in world markets of the U. S., Canadian, Argentine and Australian exporters. With export availabilities during the current 1955-56 (July-June) marketing season expected to amount to approximately 100 million bushels, France this year may even challenge Australia for fourth place.

The steady upward trend in the wheat production and exports of France since World War II are attributed to the success of national efforts, stimulated by war and postwar scarcities, to reduce imports and produce exportable surpluses. For the accomplishment of these objectives, the French Government Cereals Office for more than a decade has not only been guaranteeing minimum prices to growers but also assuming responsibility for finding a market for the crop.

For the 1955-56 (August-July) wheat marketing year, the guaranteed producer price will be \$2.64 per bushel for new crop soft wheat and \$3.04 per bushel for Durum or hard wheat. These prices are substantially higher than those realized in sales in the export market. The difference is bridged by an export subsidy, the funds for which are obtained mainly from a tax on marketings of wheat by growers and by contributions from the National Treasury.

Turkey is another country that has only recently attained status as an important wheat exporter, with exports reaching a peak of 32 million bushels in 1953-54 compared with a prewar (1934-38) average of only 3 million bushels. Because of a poor crop in 1954, exports were reduced to a low level in 1954-55. However, the Government has indicated its determination to move substantial quantities into export channels this year despite a need to replenish reserve stocks. Most of Turkey's wheat is of the durum type which is used largely in macaroni and similar products. Such wheat does not come into direct competition with U. S. wheat in world markets since this country currently has no Durum for export.

Production Incentives. -- Over 96 percent of the world's wheat crop today is produced and marketed under price supports or some other form of official incentive and planning (Table 3). Virtually all of the wheat importing countries of the world and several of the surplus producers continue to guarantee minimum prices to growers. Most importing countries guarantee prices that are higher than U. S. support prices and considerably above the cost of imported wheat. Such price supports encourage increased production and react unfavorably on the demand for U. S. wheat.

Table 3.--Price supports for the 1955-56 wheat crop
in specified countries

Country	:Price : per :bushel :	Country	:Price : per :bushel :	Country	:Price : per :bushel :
	<u>Dollars</u>		<u>Dollars</u>		<u>Dollars</u>
United States....	2.08	United Kingdom:	2.31	Sweden.....	2.21
Canada.....	1.40	Norway.....	3.43	Mexico.....	<u>1/</u> 2.05
Argentina.....	1.18	Ireland.....	2.06	Brazil.....	2.85
Australia.....	1.46	Belgium.....	2.56	Egypt.....	<u>2/</u> 1.98
France.....	2.64	Germany.....	2.73	Japan.....	2.59
Turkey.....	2.91	Switzerland....	4.03	Portugal.....	2.86
Uruguay.....	2.51	Spain.....	2.86	Austria.....	2.63
Algeria.....	2.64	Italy.....	3.05	Chile.....	2.49
Morocco.....	2.56	Yugoslavia....	2.99	Finland.....	4.04
Tunisia.....	2.64	India.....	1.53	Greece.....	2.84
Syria.....	2.20	Iran.....	1.43	Pakistan.....	1.34

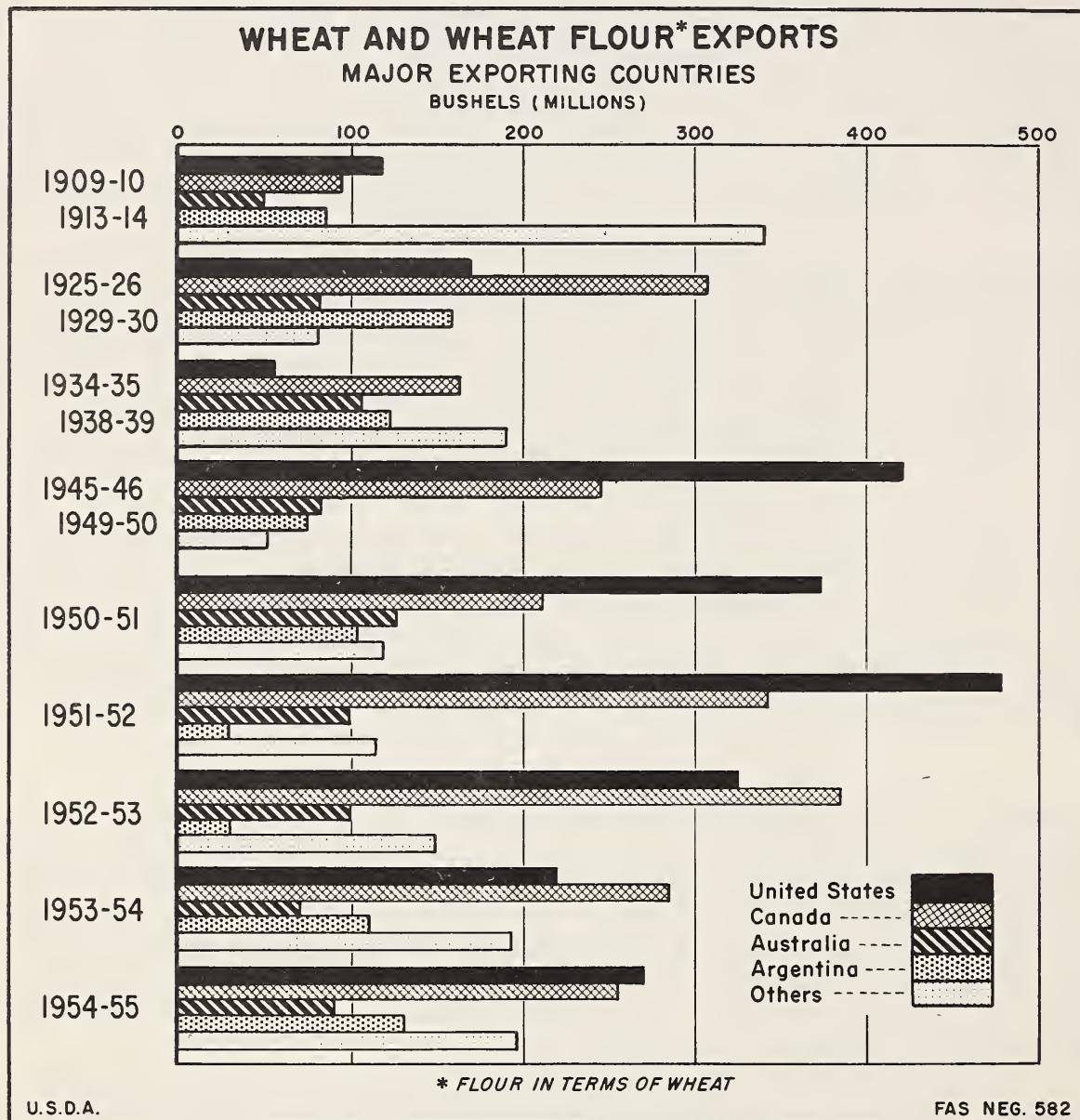
1/ October 1955 guarantee. Price advances as the season progresses.

2/ Support price for soft wheat. The support price for hard wheat is \$2.08.

In importing countries the primary objective of price supports is to stimulate increased production partly from a desire for a greater degree of national self-sufficiency, and partly from inability to finance purchases from abroad because of foreign exchange problems. This usually involves the adoption of concomitant measures to regulate imports and subsidize domestic producers. In exporting countries, price supports are maintained mainly for purposes of assuring returns to growers that will not fall below a guaranteed minimum.

United States Provides 29 Percent of World's Wheat Exports. -- World trade in wheat has been fairly well stabilized at between 950 and 1,000 million bushels annually. Last year (1954-55), when approximately 950 million bushels were required to supply world import requirements, the U. S. provided 273 million bushels, or approximately 29 percent of the total. Over half of U. S. exports was moved out under special government programs. That same year, Canada supplied 27 percent, Argentina 14 percent, and Australia 10 percent of the world's exports. Virtually all of the balance came from France, Russia, Uruguay, French North Africa, Turkey,

Sweden, and Syria. During the period of critical food shortages in the five years immediately following World War II, world exports averaged 878 million bushels annually, and U. S. supplied 48 percent of the total. During the 5-year period immediately preceding World War I, world exports averaged 639 million bushels annually, and the U. S. supplied only 9 percent of the total.



Notwithstanding the upward trend in wheat production in importing countries and the steadily increasing competition from foreign surplus producing countries, there is hardly an importing country among free nations of the world that does not depend to some extent on U. S. imports. As has been the case since the earliest days of the Nation's wheat export trade, the bulk of U. S. exports go to European markets. The

percentage distributions of U. S. exports to the various geographical areas in 1954-55, with comparisons for 1953-54 shown in parentheses, were as follows: Europe 53.0 (39.7) percent; Asia, 29.9 (41.6) percent; Western Hemisphere, 13.7 (12.3) percent; and Africa 3.3 (6.4) percent.

Rice

The competitive status of American rice in world markets during the current (1955-56) marketing season is complicated by such factors as (1) greatly increased production outside the U. S.; (2) an increase in surplus rice stocks in non-Asiatic exporting countries; and (3) continued difficulty in selling U. S. rice abroad under conditions where virtually all of the world's rice imports are subject to governmental regulation of one kind or another.

The world's 1955-56 crop, excluding Communist China, North Korea and the Soviet Union, is estimated at 135 million short tons (rough rice basis), an increase of 3 percent compared with last year's crop and only $2\frac{1}{2}$ percent below the all-time record of 138.5 million tons in 1953-54. All of the increase took place outside of the U. S. The U. S. Crop in 1955 shows a substantial reduction (Table 4). Production in the U. S. was reduced from 3.9 million short tons in 1954-55 to 2.6 million tons in 1955-56.

Table 4.--Rough rice production in indicated areas during stated periods 1/

Year	United	Foreign free world	Eastern	Total 1/	Estimated
	States	Major 2/	European	foreign	world 1/
	exporters	Others	3/	production	
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1935-39	2,243	36,862	183,410	49	220,321
1945-49	3,548	35,360	186,771	103	222,234
1952	4,811	43,122	209,743	260	253,125
1953	5,261	47,426	223,855	330	271,611
1954	5,885	43,426	211,703	320	255,449
1955	5,023	49,395	215,398	395	265,188

1/ Excluding Communist China, North Korea, and the Soviet Union. Production in these areas is not now included in the above estimates because of lack of reliable information. However, efforts are being made to arrive at reasonable estimates for inclusion in future world rice production tables.

2/ Burma, Thailand, Taiwan, Egypt, Italy and Brazil.

3/ Bulgaria, Hungary and Rumania.

A second significant factor affecting the competitive status of U. S. rice in world markets this year is the large accumulation of surpluses in virtually all of the non-Asiatic rice exporting countries. These surpluses are directly attributable to greatly increased rice acreage and production outside of the Orient following World War II in order to meet critical shortages in large consuming countries.

Until 1955, the U. S. was able to find export outlets for its surplus rice at prices consistently above domestic support levels. However, a decline in world market prices to well below domestic support levels resulted in a reduction in exports and in more and more of this country's crop being placed under the Government's support program. A similar development, although on a smaller scale, occurred in Italy and Spain and in most of the other rice exporting countries outside of Asia.

Asian countries are now offering rice from 1955 crops at prices below U. S. prices in virtually all Asiatic deficit producing countries, especially in Japan. Furthermore, the quality of the supplies available in that area has improved greatly because most of the large carryovers of low grade and damaged rice on hand at the beginning of the 1954-55 season have been sold in export markets at relatively low prices for use as livestock feed and for industrial purposes.

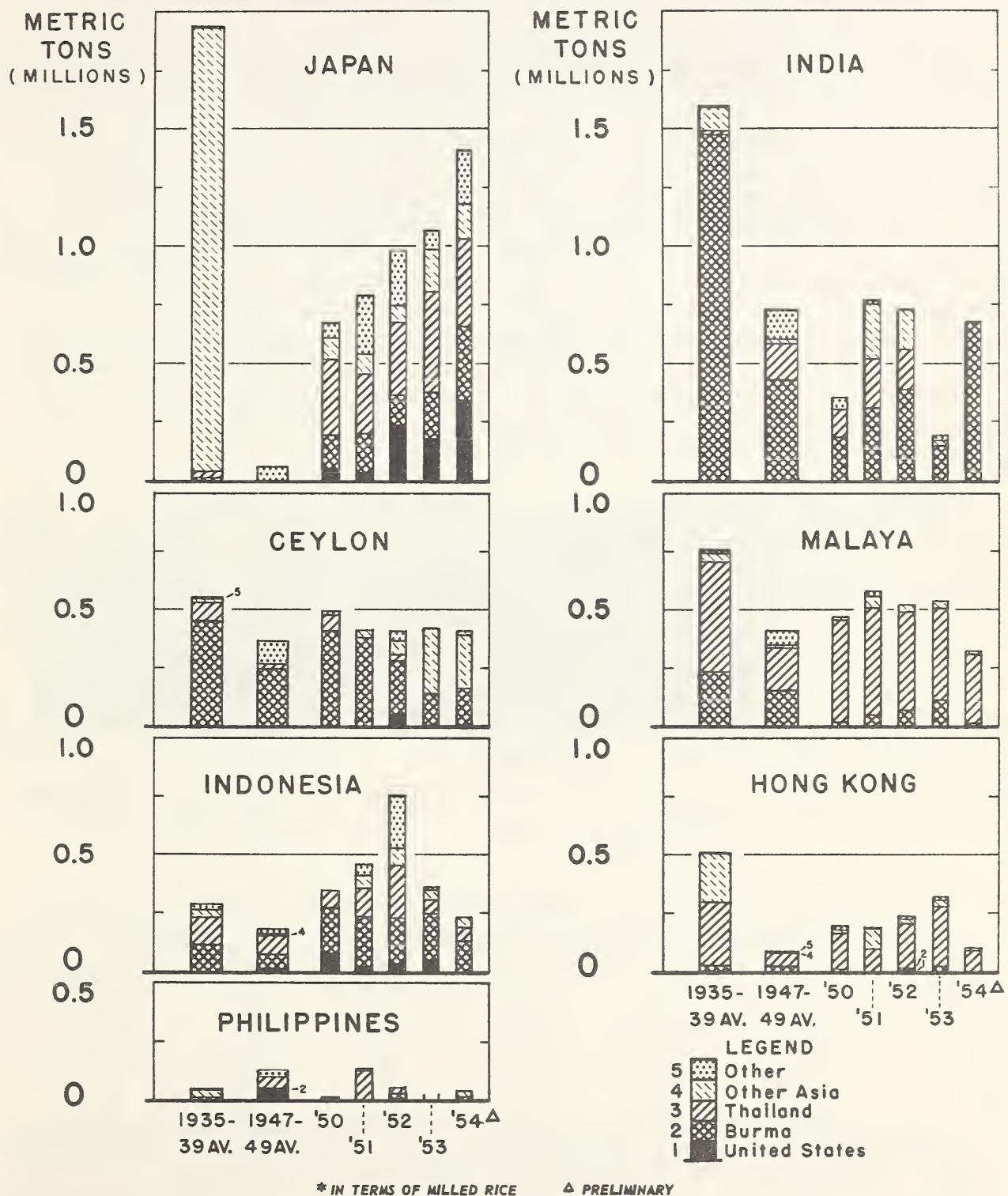
Further adding to the problems confronting U. S. rice exporters is the continued difficulty in moving surpluses into export channels in the face of numerous and intricate impediments to trade imposed by Governments in most of the rice importing countries, and in the face of special subsidies and other aids granted to exporters by governments of most competing surplus-producing countries. Almost 65 percent of the world's exports (5.5 million tons) in 1955 was moved by competing exporting countries under special government-to-government agreements, including barter deals. In addition, 92 percent of all the rice moving into international trade is subject to some degree of control by governments of the importing countries.

The U. S. share of the world's 1955 exports was about 11 percent, compared with 14 percent during the 5-year period immediately following World War II. However, world exports continue far below the 1936-40 average of 10 million tons, the U. S. share of which was only 1.3 percent. Continuation of U. S. exports at or above the 1955 level (2.5 million short tons) will depend on world prices, the quantities that can be moved under surplus disposal programs, and whether the U. S. meets prices, quality, and other terms offered by foreign competitors.

Corn and Other Coarse Grains

The competitive status of U. S. exports of coarse grains (corn, oats, barley, and grain sorghums) in world markets during 1955-56 is considerably improved over that of a year ago. In 1954-55 total U. S. exports of such grains amounted to 4.6 million short tons compared with

RICE*: IMPORTS INTO PRINCIPAL IMPORTING COUNTRIES OF ASIA BY COUNTRIES OF ORIGIN



3.8 million tons in 1953-54. Current indications are that exports in 1955-56 may reach as high as 8 million short tons. If that level is attained, exports would represent about 11 percent of the total 1955-56 U. S. commercial supply, estimated at 70 million short tons. 1/

Factors Favoring Increased Coarse Grain Exports. -- The principal reasons for the expected increase in coarse grain exports are: (1) a continued upward trend in livestock numbers in foreign countries; (2) increases in the quantities fed per animal unit in many countries; (3) improvement in the quality of this year's wheat crop in Western Europe compared with last year's crop, thus reducing the quantity of European wheat likely to be fed to livestock; (4) continued emphasis on attaining as high a level as possible of national self-sufficiency for wheat in the major importing countries; (5) large quantities of U. S. coarse grains, especially corn, available for export at competitive prices; (6) increased demand for meat and dairy products in many industrial countries because of an upward trend in purchasing power and living standards; and (7) current indications pointing to a substantial increase in foreign demand for mixed feeds, particularly poultry and dairy feeds, in Latin America and several other areas of the world.

Foreign Competitive Production of Corn, Oats and Barley. -- Foreign production of corn, oats, and barley during the current (1955-56) season reached a high level of 189.7 million short tons compared with 174.7 million tons in 1954-55 (Table 5). U. S. production of these three grains

Table 5.--Coarse grain production in indicated areas
for specified periods 1/

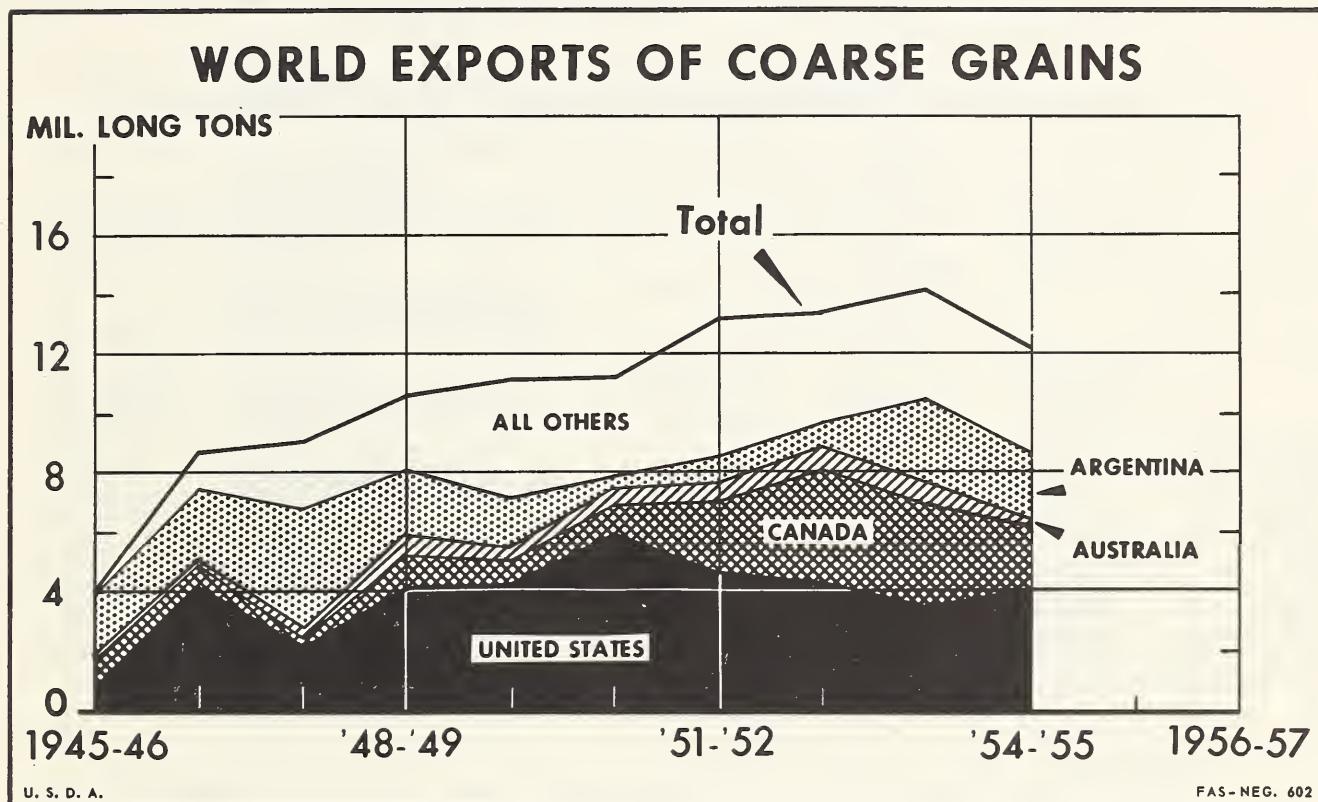
Year	Foreign free world						Estimated world production:
	United States	Major 2/ exporting		Communist bloc		Total foreign	
		Million short tons					
1935-39	87.3	21.4	75.9	75.6	172.9	260.2	
1945-49	114.2	19.3	71.9	57.8	149.0	263.2	
1952	117.4	28.0	82.0	65.2	175.2	292.6	
1953	114.6	27.3	91.9	63.3	182.5	297.1	
1954	117.1	20.9	88.8	65.0	174.7	291.8	
1955	123.8	27.1	89.2	73.4	189.7	313.5	

1/ Includes only corn, oats and barley. Grain sorghums are not included because complete data for foreign countries are not available.

2/ Comprising Canada, Argentina, Iraq, Union of South Africa and Australia.

1/ Commercial supplies consist of all off-farm stocks, including Commodity Credit Corporation stocks, carried into the current marketing season and estimates of the quantities moving into commercial channels from 1955 crops.

was 123.8 million tons in 1955-56 and 117.1 million tons in 1954-55. While the combined coarse-grain production in the U. S. during 1955-56 shows an increase of 6.7 million tons over that of 1954-55, production in foreign countries increased by 14.9 million tons. The large increase is due mainly to an expansion of corn production in the Soviet Union, large increases in the Canadian and Australian oats and barley crops, and larger crops of barley in Europe and Asia.



Corn. -- Traditionally, corn has been the most important coarse grain exported by the U. S. The nation's exports last year (1954-55) amounted to 81.7 million bushels. A large percentage of these exports moved abroad under special government programs involving relatively high export subsidies. About 78 percent of the total exports went to European markets, 13 percent to markets in the Western Hemisphere, and 8 percent to Asiatic countries.

During the decade (1945-46 through 1954-55), U. S. corn exports averaged 90.6 million bushels annually compared with the prewar average of 37.9 million bushels. With its large production and abundant supplies, the U. S. has been in a good position to provide an important share of the increasing supplies of corn needed to meet the requirements of expanding livestock industries in European and Latin American countries.

Argentina, the Union of South Africa and the Danube Basin are the principal U. S. competitors in supplying the world's corn import requirements. (Corn production in the various areas is shown in Table 6.) Exports from Argentina have been at greatly reduced levels in recent years because of reduced acreage (largely due to the dissatisfaction of farmers with the Argentine price policy for corn exports), drought damage, increased demand for local use, and scarcity and high cost of harvest labor. This year's Argentine crop, however, will be considerably larger than the poor crop harvested in March-April last year, and export availabilities should be somewhat above those of a year ago.

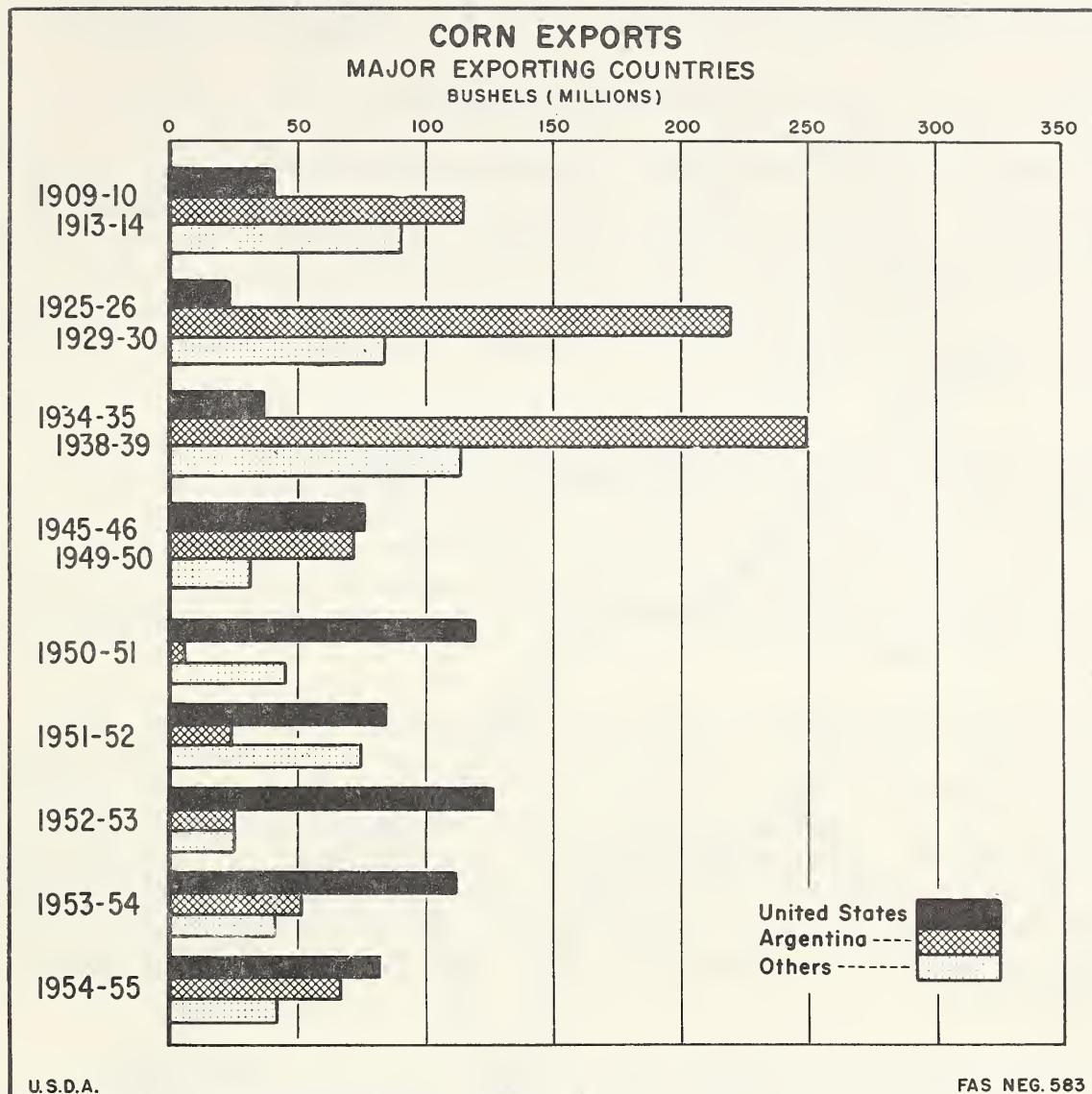
Table 6.--Corn production in indicated areas during stated periods

Year	Foreign free world			Total foreign production	Estimated world
	United States	Major 1/ exporting	Other		
	Million bushels	Million bushels	Million bushels		
1935-39..	2,316	382	1,237	837	2,456
1945-49..	3,057	242	1,220	776	2,238
1952.....	3,279	264	1,280	762	2,306
1953.....	3,192	315	1,519	814	2,648
1954.....	3,010	231	1,492	807	2,530
1955 prel.	3,185	295	1,525	1,185	3,005
					6,190

1/ Argentina and Union of South Africa

Argentina was the world's leading corn exporter for many years until just prior to World War II when exports began to decline sharply. As a result, the U. S. became the leading exporter. During 1954-55 (July-June), Argentine exports amounted to 68.4 million bushels compared with an average of 72 million bushels during the 5-year period ending with 1949-50 and the average of 250 million bushels during the 5-year period ending with 1938-39. Argentine exports, therefore, are still far below the prewar level. The Danube Basin area has been declining in importance as a corn exporter and exports from the Union of South Africa and several other African areas show only moderate increases. It would appear that the foreign demand for U. S. corn will continue at a high level for several years to come. U. S. exports from July 1 to December 31, 1955 totaled 67 million bushels compared with 37 million during the same period a year ago.

Barley. -- The importance of barley in U. S. coarse grain exports has been increasing steadily since the end of World War II. During 1954-55, it was the second most important coarse grain in U. S. exports, the total movement to foreign countries amounting to 43.9 million bushels. Europe



took 46 percent and Asia 44 percent of the total. Our most important individual foreign outlets in recent years have been Japan and Korea, where it is used primarily for human food. Our principal barley competitors in foreign markets are Canada, Argentina, Australia, French Morocco, Iraq, Syria, and Algeria.

While corn has long been the dominant coarse grain in international trade, its leading position has been challenged in recent years by barley. In the past four years, world exports of barley have exceeded those of corn. The upward trend in world barley exports reflects the increased postwar import requirements for feed grains in Europe; greatly reduced exports of corn and other feed grains from the Danube Basin and Argentina; increased demand for barley for human food in the Far East; continued high level of demand for malt for beer production; and barley prices in recent years that have been generally below those of corn.

Grain sorghums.--Only since the end of World War II has grain sorghums become important in U. S. port trade. U. S. exports in 1954-55 amounted to 35 million bushels. The peak export movement took place in 1950-51 and 1951-52 when shipments abroad amounted to 78.8 million and 72.3 million bushels respectively, due mainly to large purchases in those years by Germany, India, and Korea. European countries provided the principal outlet for U. S. 1954-55 exports, mainly Belgium-Luxembourg, the Netherlands, the United Kingdom, Germany, and Norway. Exports during the first six months (July-December) of the 1955-56 marketing season amounted to 40.8 million bushels compared with only 13.4 million during the same six months a year earlier. European countries continue to be the principal foreign outlets.

Grain sorghums, including millets, has been grown and consumed as human food in Asiatic and African countries for many centuries. The world's principal producers are China, India, Formosa, French West Africa, and the U. S. In recent years, the U. S. has been the world's leading exporter. Principal competitors for foreign outlets have been the Union of South Africa, the Anglo-Egyptian Sudan, Syria, Argentina, French Morocco, and Ethiopia.

Oats.--The suitability of oats to almost every type of soil, the crop's advantage when grown in rotation with other crops, and its value as a feed supplement serve to maintain oats as one of the world's leading grain crops. However, because of the large local consumption in most producing countries, the quantities moving into channels of international trade are relatively small. In order of importance, the principal exporters in recent years have been Canada, Argentina, Australia, French Morocco and the U. S. Substantial quantities have been exported also by Russia, Sweden and Finland.

Oats is a relatively unimportant crop in the U. S. coarse grain exports. U. S. exports in 1954-55 (July-June) were 15.4 million bushels, of which 12.5 million were in the form of grain and 2.9 million in the form of oatmeal. The principal foreign outlets that year were the Netherlands, Turkey, Yugoslavia, Switzerland, Venezuela, Colombia and Belgium-Luxembourg. During the 5-year period preceding World War II, U. S. oats exports averaged only 4.5 million bushels annually. Exports during 1955-56 will probably exceed those of 1954-55 by a substantial margin since the total for the first six months (July-December) of the season amounted to 14.6 million bushels, almost as much as the total for all of 1954-55.

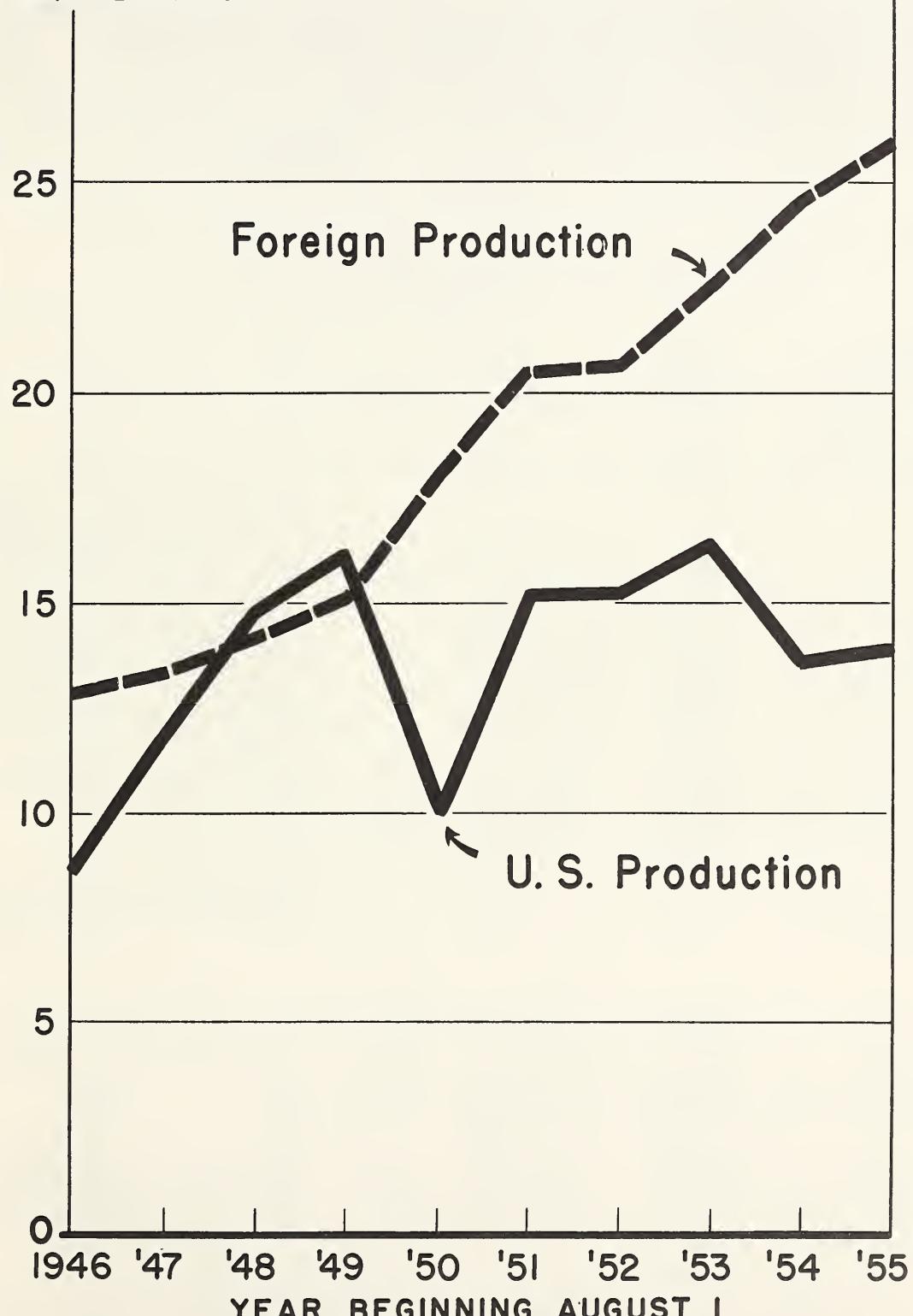
Cotton

Production Trends

Foreign cotton production averaged only 13.6 million bales annually in the 5-year period 1945-49 as compared to 17.8 million bales annually during the 1934-38 period (Table 7). However, competing countries sharply stepped up their efforts to increase cotton production after the early

COTTON: U. S. and Foreign Production

MIL. BALES*



*500 POUND BALES

postwar years. In the 1950-54 period foreign production rose to an average of 21.5 million bales annually. The upward trend since 1950 has continued at a rate slightly higher than 1 million bales annually, and production in the 1955-56 season is expected to exceed 25 million bales

Table 7.--Foreign production, of cotton, foreign consumption, difference between foreign production and foreign consumption, and U. S. cotton exports for specified periods, with comparisons

Period and crop year	Foreign production	Foreign consumption	Foreign consumption less foreign production	United Sta exports
- - - - - 1,000,000 bales <u>1/</u> - - - - -				
1934.....	14.2	21.6	7.4	5.0
1935.....	16.9	22.7	5.8	6.3
1936.....	20.0	24.2	4.2	5.7
1937.....	20.1	23.3	3.2	6.0
1938.....	18.0	23.1	5.1	3.5
1934-38				
Average.....	17.8	23.0	5.2	5.3
1939.....	17.8	22.2	4.4	6.5
1940.....	18.6	18.4	.2	1.2
1941.....	17.2	15.4	1.8	1.2
1942.....	14.5	14.7	.2	1.5
1943.....	14.2	14.1	.1	1.1
1944.....	12.6	14.1	1.5	1.9
1945.....	12.1	16.8	4.7	3.7
1946.....	13.0	18.0	5.0	3.7
1947.....	13.4	19.1	5.7	2.0
1948.....	14.3	20.9	6.6	5.0
1949.....	15.2	20.5	5.3	6.0
1945-49				
Average.....	13.6	19.1	5.5	4.1
1950.....	18.1	22.4	4.3	4.3
1951.....	20.5	23.4	2.9	5.7
1952.....	21.7	25.0	3.3	3.2
1953.....	22.6	27.2	4.6	3.9
1954 2/.....	24.7	27.8	3.1	3.6
1955 2/.....	25.5	27.8 <u>3/</u>	2.3 <u>3/</u>	2.5
1950-54				
Average.....	21.5	25.2	3.7	4.1

1/ In 500-pound gross weight bales. 2/ Preliminary. 3/ Estimated.

It is significant that most of the expansion in foreign production from the prewar 1934-38 period to the 1950-54 period has occurred in the newer or minor cotton-producing countries (Table 8). Annual foreign production during the 1950-54 period was approximately 3.7 million bales higher than the prewar average. Of this increase, about 2.7 million bales are accounted for by increases in the Near East, Africa (excluding Egypt), Central America, Mexico, and South America (excluding Brazil and Peru). These areas were all considered minor producing areas before World War II. In the 1955-56 season annual foreign production exceeded the 1934-38 average by about 7.7 million bales. About 4.2 million bales of this increase came from the minor producing areas (including Mexico) while 3.1 million bales came from the Iron Curtain countries.

Table 8.--World cotton production by areas, 1934-38, 1950-54, and 1955-56, with comparisons

Areas	1934-38	1950-54	1955-56	Change from 1934-38 to --		
	average	average	estimated	1950-54	1955-56	
----- 1,000 bales -----						
MINOR PRODUCTION AREAS:						
(INCLUDING MEXICO):						
Near East 2/.....:	470	1,129	1,377	+ 659	+ 907	
South America (excluding Brazil and Peru).....:	362	710	759	+ 348	+ 397	
Mexico.....:	317	1,333	2,050	+ 1,016	+ 1,733	
Africa (excluding Egypt).....:	891	1,467	1,618	+ 576	+ 727	
Central America.....:	9	160	420	+ 151	+ 411	
Total.....:	2,049	4,799	6,224	+ 2,750	+ 4,175	
TRADITIONAL MAJOR PRODUCING AREAS (EXCLUDING U. S.)						
Brazil and Peru.....:	2,166	2,104	2,295	- 62	+ 129	
Egypt.....:	1,846	1,705	1,760	- 141	- 86	
India and Pakistan...:	5,168	4,684	5,300	- 484	+ 132	
Total.....:	9,180	8,493	9,355	- 687	+ 175	
UNITED STATES						
UNITED STATES.....:	12,712	14,092	14,663 4/	+ 1,380	+ 1,951	
IRON CURTAIN AREAS 3/..:	6,131	7,759	9,195	+ 1,628	+ 3,064	
REST OF WORLD.....:	459	491	727	+ 32	+ 268	
TOTAL WORLD.....:	30,531	35,634	40,164	+ 5,103	+ 9,633	

1/ In 500-pound gross weight bales. 2/ Iran, Iraq, Syria, Turkey, and Afghanistan. 3/ USSR, Bulgaria, Rumania, Hungary, and China, (including Manchuria). Estimated 4/ December crop estimate.

Despite programs to expand cotton production by traditional major cotton exporting countries, output today in these countries is about the same as prewar 1934-38. Production in Egypt is about the same as prewar. Brazilian production has been considerably below the prewar peak, while Peruvian production has increased slightly. Production in India and Pakistan up to 1954-55 has been below prewar.

The Iron Curtain countries, including China, have been successful in expanding cotton production from an estimated 6 million bales in 1950-51 to an estimated 9 million bales in 1955-56. Most of this expanded production, however, has been consumed behind the Curtain. The China market, which took a half million bales or more from the U. S. and the Free World in early postwar years, has now been lost. In the last year Russian cotton has been moving into Western Europe and competing with Free World cotton.

The competing exporting countries continue their efforts to increase production, and the minor producing areas are responsible principally for the increased tempo of competition. Stability of world prices probably has been more important than the level of prices in encouraging cotton production expansion in the minor areas, with the possible exception of areas such as Central America, where cash production costs are a high proportion of the total.

Policies of Exporting Countries

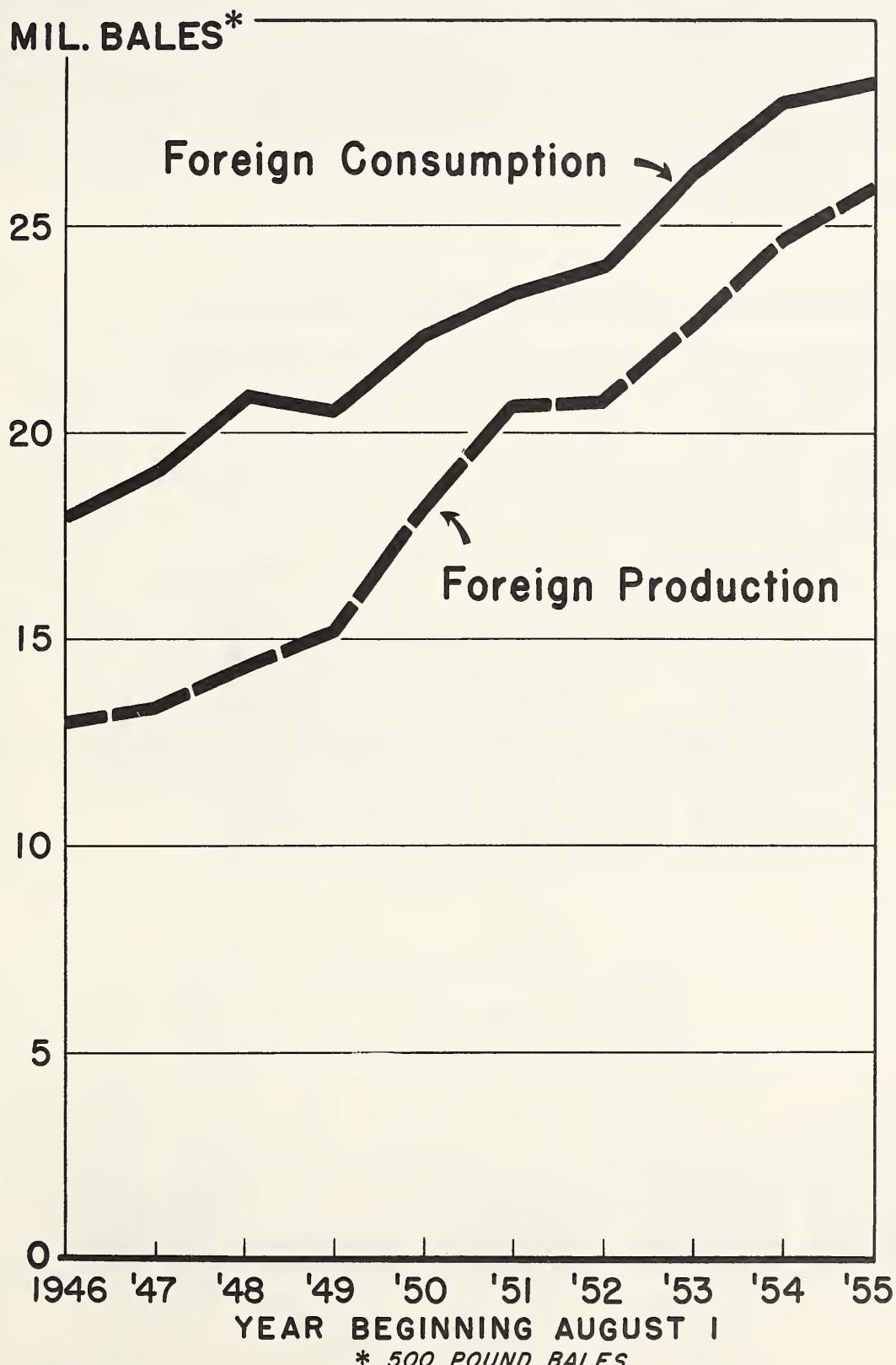
Most major producing countries have imposed export taxes of two to eight cents a pound on raw cotton exports for several reasons, including, (1) cotton export taxes are an easy way to raise Government revenue; (2) lower domestic cotton prices encourage the development and expansion of local textile industries; and (3) cotton export taxes help regulate the internal use of resources, especially toward lessening the rate of shift to cotton in an attempt to assure that food production is maintained. These policies persist despite the fact that cotton is the most profitable cash crop that most of these countries can export freely to earn foreign exchange.

Export incentives have been used by some countries. Exchange conversion rates have been manipulated in Brazil and Pakistan to improve the competitive position of cotton. Egypt has recently relaxed marketing restrictions to permit greater pricing flexibility. Cotton export taxes were also reduced in Egypt in October 1955. India reduced export taxes to meet competition from Pakistan after the currency devaluation last August. Most African countries have special marketing agreements with mother countries in Europe to facilitate production and export of cotton.

Foreign Consumption

During the 1934-38 period foreign cotton consumption averaged 23 million bales and the U. S. supplied 5.3 million bales, or approximately 23

COTTON: Foreign Production and Consumption

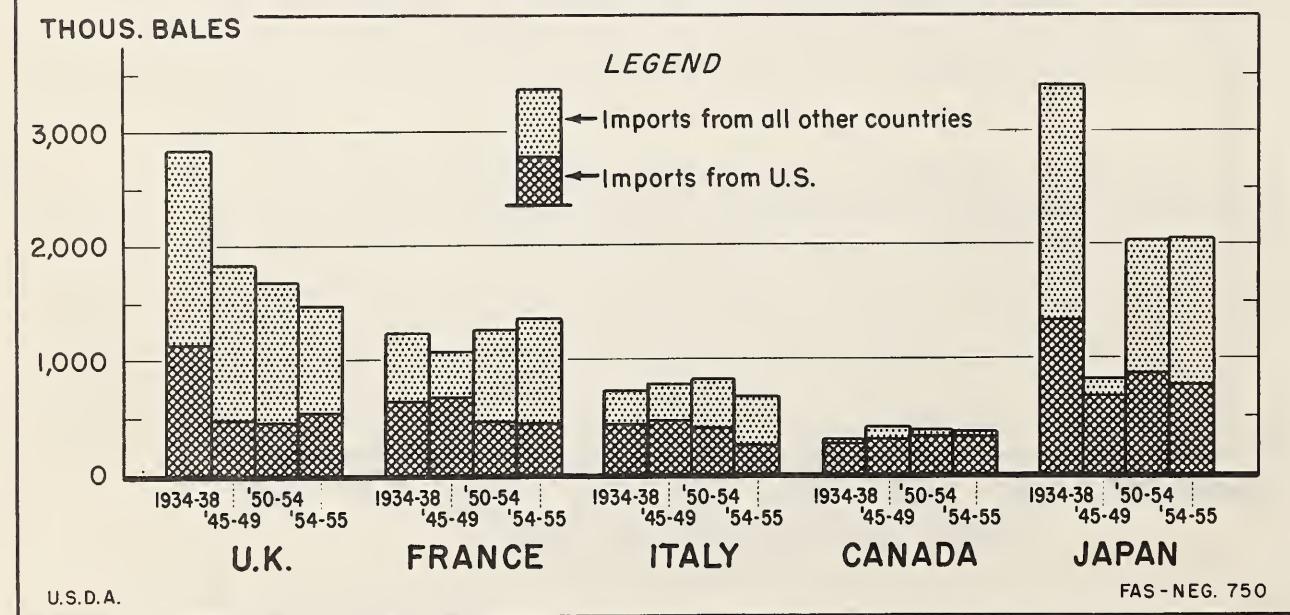


percent of the total. In the immediate postwar years, 1945-49, foreign cotton consumption averaged only 19.1 million bales per year, and U. S. exports dropped to only 4.1 million bales, or 21.5 percent of the total. In many respects the 1945-49 period was an unusual period; but data for this period indicate that despite the ravages of war in many countries, the U. S. continued to lose foreign markets. Foreign consumption of cotton increased to an average of 25.2 million bales per year during 1950-54. While the volume of U. S. exports then held to an average of about 4.1 million bales per year, the U. S. share of foreign consumption dropped to approximately 16 percent of the total. During the current season the U. S. share may be as low as 10 percent of total foreign cotton consumption, which is now expected to reach 27.8 million bales.

Policies and Situations in Importing Countries

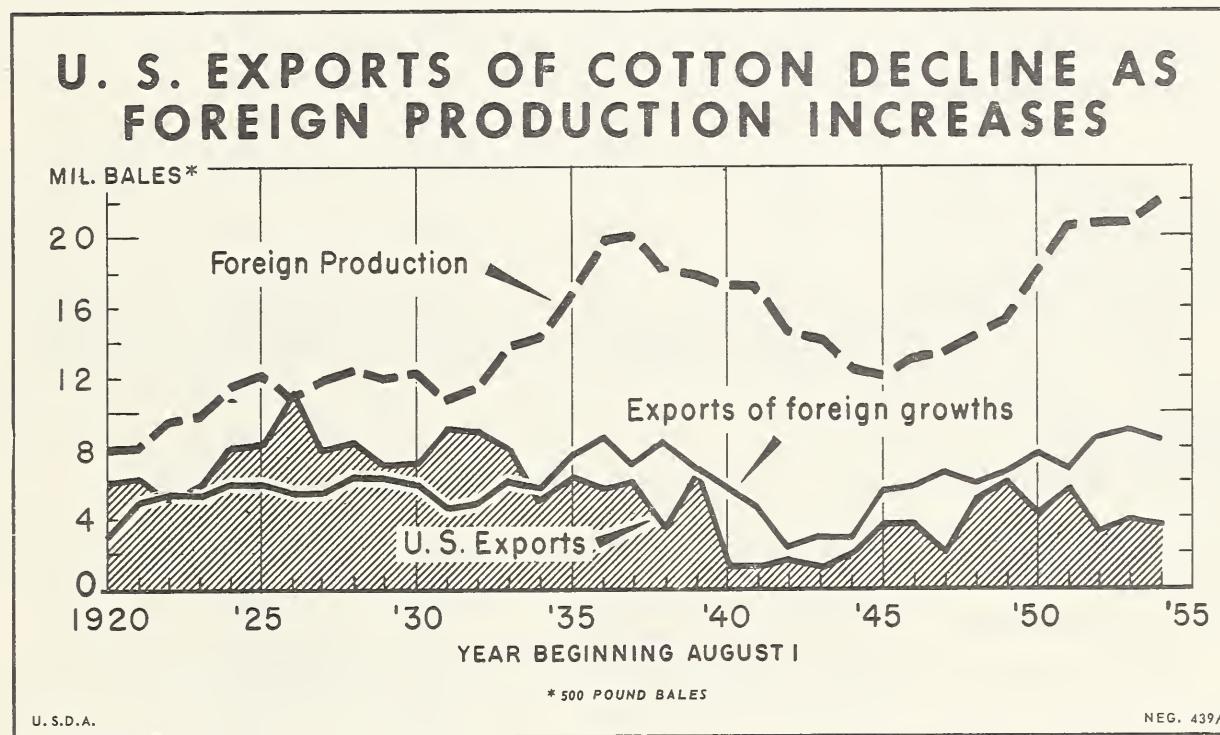
As the balance-of-payments position in the industrialized countries continues to improve, import restrictions imposed on raw cotton imports have declined in importance. Italy is the only major importing country that now imposes a tariff on raw cotton imports. However, many countries have entered into barter deals or special clearing arrangements involving cotton with cotton producing countries. These barter deals or special trade agreements in most cases have been employed to protect the balance-of-payments positions of the participants. However, the volume of cotton involved in these deals in the last year or so has declined, and such arrangements are now of less hindrance to the free movement of raw cotton than they were several years ago.

TOTAL IMPORTS OF COTTON AND AMOUNTS SUPPLIED BY THE UNITED STATES IN SPECIFIED PRINCIPAL IMPORTING COUNTRIES



Trade Trends and the United States Position

The level of world trade in cotton has not changed to any substantial degree in the last 20 years. With the exception of the war years and the immediate postwar years, the average annual volume of world trade has fluctuated around 12 million bales since 1934. The U. S. share of total exports in prewar 1934-38 averaged 41.1 percent, or about 5.3 million bales annually. But during 1950-54 the U. S. share declined to 33.8 percent, or approximately 4.1 million bales. The downward trend in the U. S. share is continuing at a more pronounced rate.



Trends in world cotton exports show that the impact of competition from the newer or minor cotton producing countries is even greater than that indicated by trends in production (Table 9). For example, annual exports from the minor producing areas, including Mexico, during 1950-54 averaged about 2 million bales more than prewar 1934-38. In 1954-55 exports from these areas were 2.4 million bales above the prewar average. In the traditional major cotton exporting countries annual exports in the period 1950-54 averaged 2.3 million bales less than prewar 1934-38 while exports from these areas in 1954-55 were 2.6 million bales below prewar (1934-38). The increased consumption of raw cotton in the traditional major cotton exporting countries is primarily responsible for the decline in raw cotton exports from these countries.

Exports from the Iron Curtain countries during 1950-54 averaged 745,000 bales above prewar (1934-38) while in 1954-55 exports rose to 1.1 million bales above prewar. During this period, domestic consumption rose

Table 9.--World cotton exports by areas, 1934-38,
1950-54, and 1954-55, with comparisons

Areas	Average	Average	Exports	Change from	
	exports	1950-54	1954-55	1934-38 to--	1950-54
	1934-38	1/	1/		
MINOR PRODUCING AREAS					
(INCLUDING MEXICO)			1,000 bales 2/		
Near East 3/.....	183	697	837	+ 514	+ 654
South America (excluding Brazil and Peru).....	175	231	167	+ 56	- 8
Mexico.....	105	974	1,253	+ 869	+ 1,148
Africa (excluding Egypt).....	863	1,368	1,345	+ 505	+ 482
Central America (excluding Mexico).....	3	91	150	+ 88	+ 147
Total.....	1,329	3,361	3,752	+ 2,032	+ 2,423
TRADITIONAL MAJOR PRODUCING AREAS					
(EXCLUDING U. S.)					
Brazil and Peru.....	1,402	1,069	1,350	- 333	- 52
Egypt.....	1,747	1,347	1,081	- 400	- 666
India and Pakistan....	2,693	1,119	843	- 1,574	- 1,850
Total.....	5,842	3,535	3,274	- 2,307	- 2,568
UNITED STATES.....	5,296	4,134	3,585	- 1,162	- 1,711
IRON CURTAIN COUNTRIES:	295	1,040	1,400	+ 745	+ 1,105
REST OF WORLD.....	175	162	97	- 13	- 78
TOTAL WORLD.....	12,937	12,232	12,108	- 705	- 829

1/ Preliminary.

2/ In 500-pound gross weight bales.

3/ Iran, Iraq, Syria, Turkey, and Afghanistan.

even faster than exports. As a result, from 50 to 65 percent of the raw cotton production expansion in these countries has been consumed domestically. Most of their exports have been to other countries behind the Curtain. The volume of exports to the Free World in the immediate past has been small; however, it is now increasing.

Increased foreign production, lower prices for foreign cotton, and increased use of synthetic fibers are largely responsible for the decline in U. S. exports.

Competitive Pricing

It has become increasingly apparent during the past few years that U. S. cotton must be made more competitive in price or face a continually shrinking market. In the early part of the 1955-56 season competition among a number of foreign producing countries (Mexico, Pakistan, Brazil, Syria, Greece, and others) drove world prices down as much as 8 cents a pound below quotations of comparable U. S. qualities. This situation has made it very difficult to export U. S. cotton.

In addition to price competition of foreign cotton, there is the equally urgent problem of competition from synthetic fibers. These competing fibers have been making wide inroads into cotton markets both at home and abroad. Failure to meet the competition of synthetics could result in a permanent loss of many of cotton's end-use markets.

The development of a long-range export policy under which U. S. prices might be made competitive in the foreign market is complicated by the close inter-relationship between export pricing policy and domestic price-support programs. Adjustments in domestic prices are needed to permit greater competition with rayon staple fiber at home. However, it is doubtful whether adjustments in prices that would offer keen competition to rayon staple in the domestic market would be great enough to achieve the same results in the foreign market. In Western Europe the price advantage of rayon staple fiber over U. S. cotton ranges from 15 to 30 percent. In the U. K. and Japan the advantage ranges above 35 percent. Therefore, to meet the competition of foreign rayon strictly from the standpoint of price would require a reduction of 12 cents a pound or more in the export price of U. S. cotton.

On the basis of price quotations during the earlier part of the 1955-56 season, it is apparent that U. S. cotton price reductions of 6 to 8 cents a pound would be required to meet the price of foreign growths. Such reductions would tend to discourage expansion in some countries where production costs are relatively high. Also, competitive pricing of U. S. cotton in the export market would, over the long run, bring about some increase in foreign consumption. Therefore, since foreign consumption has been going up for a long time, any leveling off of foreign expansion of production that might result from competitive export pricing should increase U. S. exports.

About 45 percent of U. S. cotton exports in the past two years moved under (1) special government programs, including sales for foreign currency under Public Law 480; (2) the use of cotton in the economic aid programs of the International Cooperation Administration; and (3) sales financed through Export-Import Bank loans. These programs have helped to meet the dollar shortage problem in importing countries. Recently, however, sales under these programs as well as sales for dollars have become exceedingly difficult because of the wide price disparity between U. S. cotton and foreign cottons.

On January 1, 1956, the Commodity Credit Corporation began selling one million bales of cotton of the shorter staple lengths on the basis of competitive bids. By March 1, the total million bales had been sold at prices up to 8 cents per pound below the domestic price support level.

Tobacco

Competitive Position

U. S. tobacco exports in 1955 were about 19 percent above the 454 million pounds exported in 1954 and 28 percent above 1935-39. However, the long-term competitive position of U. S. tobacco in foreign markets is not encouraging as the U. S. is losing ground relatively in world markets even though U. S. flue-cured and Burley tobaccos remain superior to those of all other countries. Increased U. S. exports in 1955 were due largely to sales for foreign currencies under the Public Law 480 program. High levels of economic activity, increased currency reserves, and relatively low stocks of tobacco abroad have, however, created recently an increasingly favorable climate for world trade in tobacco.

The most important hindrance to larger U. S. exports is the widespread and growing use of discriminatory trade barriers. The shortage of dollars in some importing countries, which has been a principal limiting factor, has been met in part by Public Law 480. Preferential import duties and higher U. S. prices for certain types and grades also restrict U. S. exports. These barriers can not be overcome solely by moderately lower U. S. leaf prices.

Competition Factors

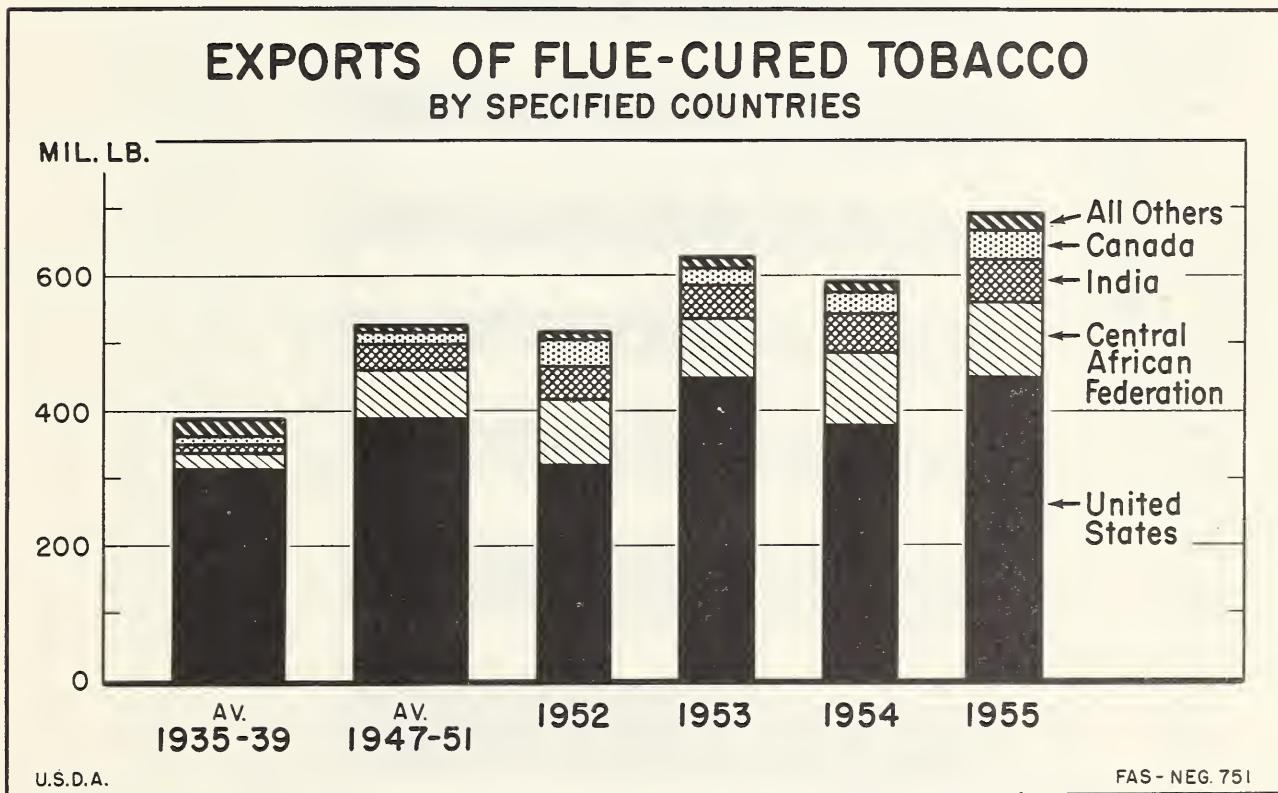
Production in both competing exporting and importing countries, particularly of cigarette tobaccos such as flue-cured, Burley, and oriental, continues to expand rapidly. Foreign production of flue-cured (major U. S. export type) totaled 1,212 million pounds in 1955 or three times the 1935-39 average and 55 percent above the 1947-51 level. Foreign Burley production increased from 23 million pounds prewar to 95 million pounds in 1955. The Free World output of oriental (Turkish-type) leaf increased from an average of 344 million pounds in the prewar period to an average of 447 million pounds in 1947-51 period, and to an all-time high of 575 million pounds in 1955.

U. S. prices for better grades of flue-cured and Burley compare favorably with foreign prices. But prices for the lower and heavier grades, which are also exported in quantity, are now so high (due to increased U. S. demand for use in filter-tip cigarettes) that these grades face exclusion from a number of important export markets. The U. S. is not competitive pricewise with foreign dark tobaccos, especially for the very low grades. There is a relatively wide spread between the foreign and U. S. prices of dark tobaccos largely because of higher U. S. production costs. In the past several years the relatively favorable level and

stability of tobacco prices in the U. S. have contributed to increasing foreign tobacco production which is offering greater competition to our leaf.

Flue-cured.--The U. S. has not shared proportionately in the substantial postwar increase in world consumption and trade in flue-cured leaf. Exports of U. S. flue-cured amounted to 375 million pounds in 1954, 20 percent over prewar (1935-39) but 3 percent below 1947-51. Many countries have recently increased output for domestic consumption but most of the increased competition is from larger exports by the Central African Federation (mainly Southern Rhodesia), Canada, and India. Communist China has been expanding exports and has plans for even larger increases.

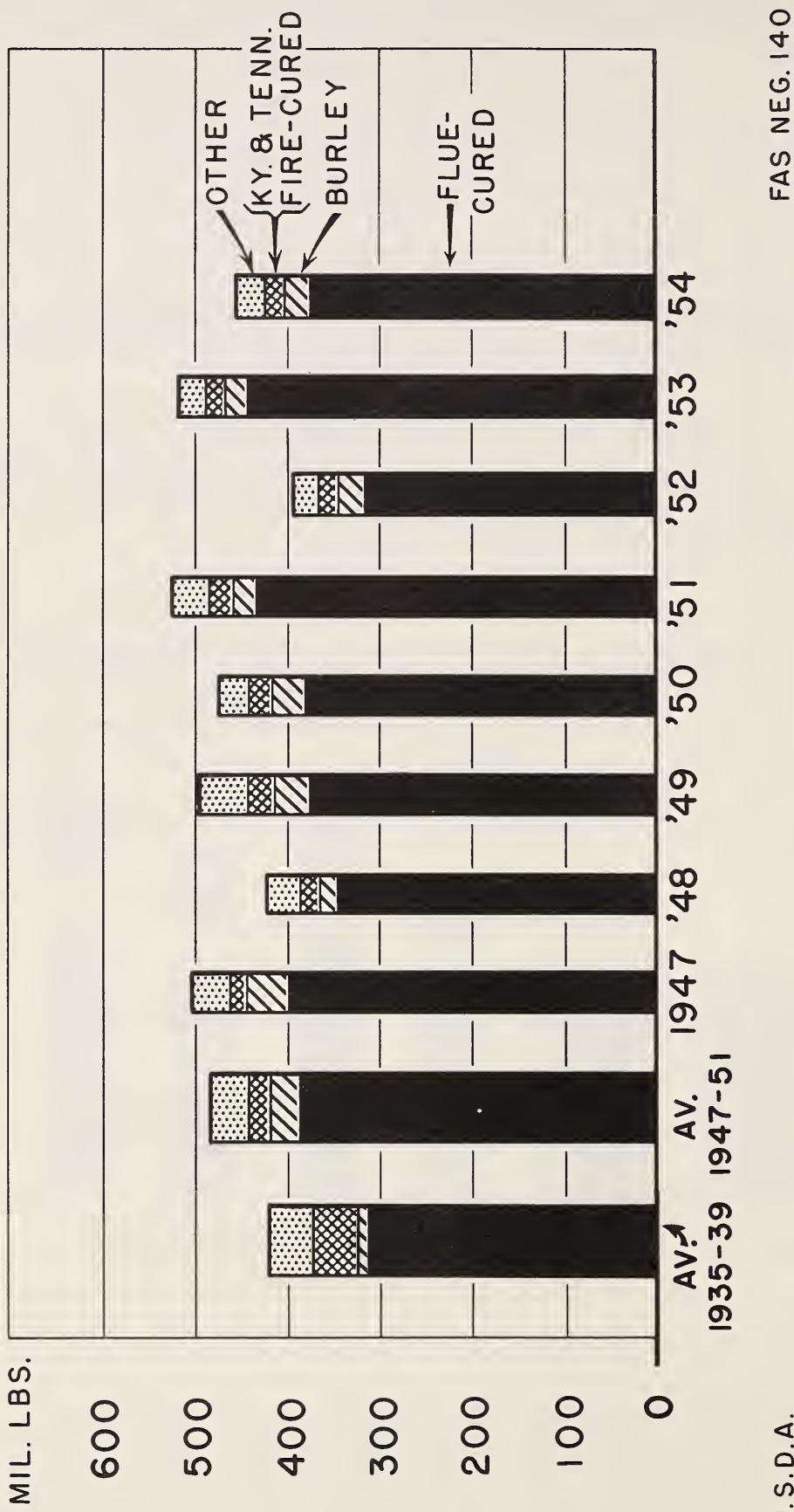
U. S. flue-cured tobacco faces competition not only from foreign flue-cured, but also from the rising exports of oriental (Turkish-type) leaf -- largely from Turkey and Greece, and to some extent dark tobaccos from the Caribbean and South America.



Burley.--Burley production continues to increase in important consuming countries, particularly Spain, Italy, Western Germany, and Mexico. Recent Italian exports have been fairly large. Competition is also increasing from several relatively small exporters (Canada, French Morocco, Central African Federation, and India) and from oriental and other light air-cured types substituted for Burley. If the recent increased prices

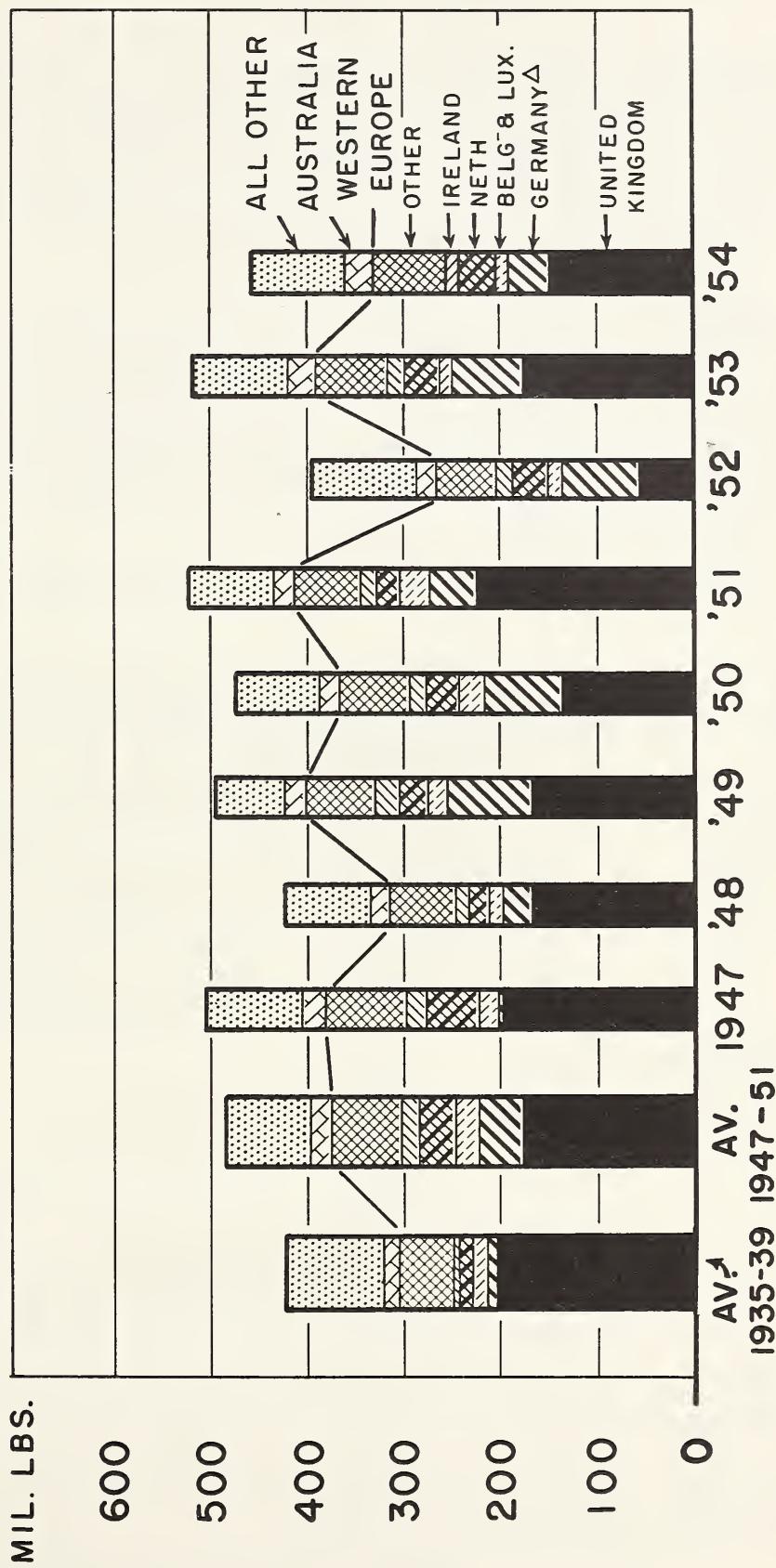
U. S. EXPORTS OF TOBACCO

BY MAJOR TYPES



U. S. EXPORTS OF TOBACCO*

BY COUNTRIES OF DESTINATION



*UNMANUFACTURED

△EAST AND WEST GERMANY; 1953 INCLUDES 1.4 MILLION POUNDS FOR EAST GERMANY

FAS - NEG. 125

for medium and heavier grades of U. S. Burley continue, it will be very difficult to maintain current U. S. exports.

Dark Fire-Cured.--The competitive position of U. S. fire-cured tobacco is very unfavorable and may deteriorate further. Nyasaland and Italy are the main competitors of the U. S. The demand for products in which this type of leaf is used continues to decline, and the prices of comparable fire-cured from other areas, especially Nyasaland, are well below those of U. S. leaf.

Dark Air-Cured.--U. S. exports of dark air-cured have been small and are likely to decline even further. Demand for this kind of tobacco is hurt by a long-term declining trend in consumption of smoking and chewing tobacco. The main competition comes from increased production in importing countries, and increased exports of air and sun-cured especially from the Caribbean and South America.(mainly Cuba, Dominican Republic, Brazil, and Colombia).

Table 10.--Estimated production of flue-cured tobacco
in specified countries, 1955
with comparisons

Country	1935-39	1947-51	1954	Preliminary 1955
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
<u>Free World (Excluding U. S.)</u>				
Central African Federation.	28,390	91,065	133,165	131,824
Canada.....	54,616	111,646	173,159	121,600
India.....	26,900	64,510	130,000	119,000
All Other.....	136,669	260,475	452,131	524,539
<u>Total Free World (Excl. U. S.)</u>	246,575	527,696	888,455	896,963
United States.....	863,619	1,246,160	1,314,407	1,514,043
China.....	150,900	250,000	300,000	315,000
<u>TOTAL WORLD</u>	1,261,094	2,023,856	2,502,862	2,726,006

Table 11.--Estimated production of Burley tobacco in specified countries, 1955 with comparisons

Country	1935-39	1947-51	1954	Preliminary 1955
	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>
<u>Free World (Excluding U. S.)</u>				
Canada.....	10,749	10,040	4,470	6,500
West Germany.....	-	5,500	12,967	16,225
Italy.....	4,600	13,700	15,300	15,432
Spain.....	3,000	6,425	19,581	31,969
French Morocco.....	500	878	3,748	3,086
India.....	-	1,640	2,240	2,200
Central African Federation.....	10	1,230	2,054	2,173
All Other.....	4,067	16,760	17,549	17,279
Total Free World (Excl. U. S.)	22,926	56,173	77,909	94,864
United States.....	315,826	552,736	667,172	506,990
<u>TOTAL WORLD</u>	<u>338,752</u>	<u>608,909</u>	<u>745,081</u>	<u>601,854</u>

Table 12.--Estimated production of light air-cured and sun-cured tobacco, including Maryland, in specified countries, 1955 with comparisons

Country	1935-39	1947-51	1954	Preliminary 1955
	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>
<u>Free World (Excluding U. S.)</u>				
Japan.....	71,366	112,223	90,252	111,859
India.....	104,840	79,000	95,600	85,000
Korea.....	35,465	40,090	34,614	36,000
Pakistan.....	1/	1/	14,000	17,000
Mexico.....	12,200	40,046	34,467	31,967
Paraguay.....	13,344	14,038	11,574	14,882
Algeria.....	13,000	16,500	20,182	20,182
Spain.....	1/	1/	19,340	15,340
Madagascar (Maryland).....	12,764	6,240	8,377	8,350
Italy (Maryland).....	3,400	7,800	7,297	6,393
All Others.....	16,508	27,893	18,468	21,035
Total (Excluding U. S.).....	282,887	343,830	354,171	368,008
U. S. (Maryland).....	28,845	39,112	42,500	35,700
China.....	501,818	550,000	500,000	525,000
Soviet Bloc.....	59,557	49,897	50,000	50,000
<u>WORLD TOTAL</u>	<u>2,873,107</u>	<u>2,982,839</u>	<u>946,671</u>	<u>978,708</u>

1/ Data not available.

2/ Data for Spain and Pakistan not available.

Table 13.--Estimated production of oriental tobacco in specified countries, 1955 with comparisons

Country	1935-39	1947-51	1954	Preliminary 1955
Free World	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>	1,000 <u>pounds</u>
Turkey	128,119	193,749	211,641	255,734
Greece	132,819	113,320	148,750	169,754
Yugoslavia	32,920	52,467	55,626	65,036
Italy	28,300	52,900	32,540	29,102
Iran	10,400	17,500	21,586	22,571
All Others	11,235	17,336	36,420	33,099
Total Free World	343,793	447,272	506,563	575,296
Soviet Bloc Countries	305,846	281,615	274,350	274,350
TOTAL WORLD	649,639	728,887	780,913	849,646

Table 14.--World exports of unmanufactured tobacco from major exporting countries, averages 1935-39 and 1947-51, annual 1953 and 1954, export weight 1/

Country	Average 1935-39	Average 1947-51	1953	1954 <u>2/</u>
	Million pounds	Million pounds	Million pounds	Million pounds
United States	421	486	519	454
Southern Rhodesia	19	68	81	101
India <u>3/</u>	44	87	71	74
Canada	17	23	29	32
Greece	98	52	108	116
Turkey	76	124	158	139
Indonesia	100	16	32	43
Dominican Republic	14	35	21	27
Philippine Republic	37	10	26	22
Brazil	71	68	53	62
Cuba	28	29	36	44
Italy	13	11	27	36
Algeria	25	24	28	34
Yugoslavia	10	22	14	15
All others	71	82	98	94
TOTAL	1,044	1,137	1,301	1,293
Percent U. S.	40.3	42.7	39.9	35.1

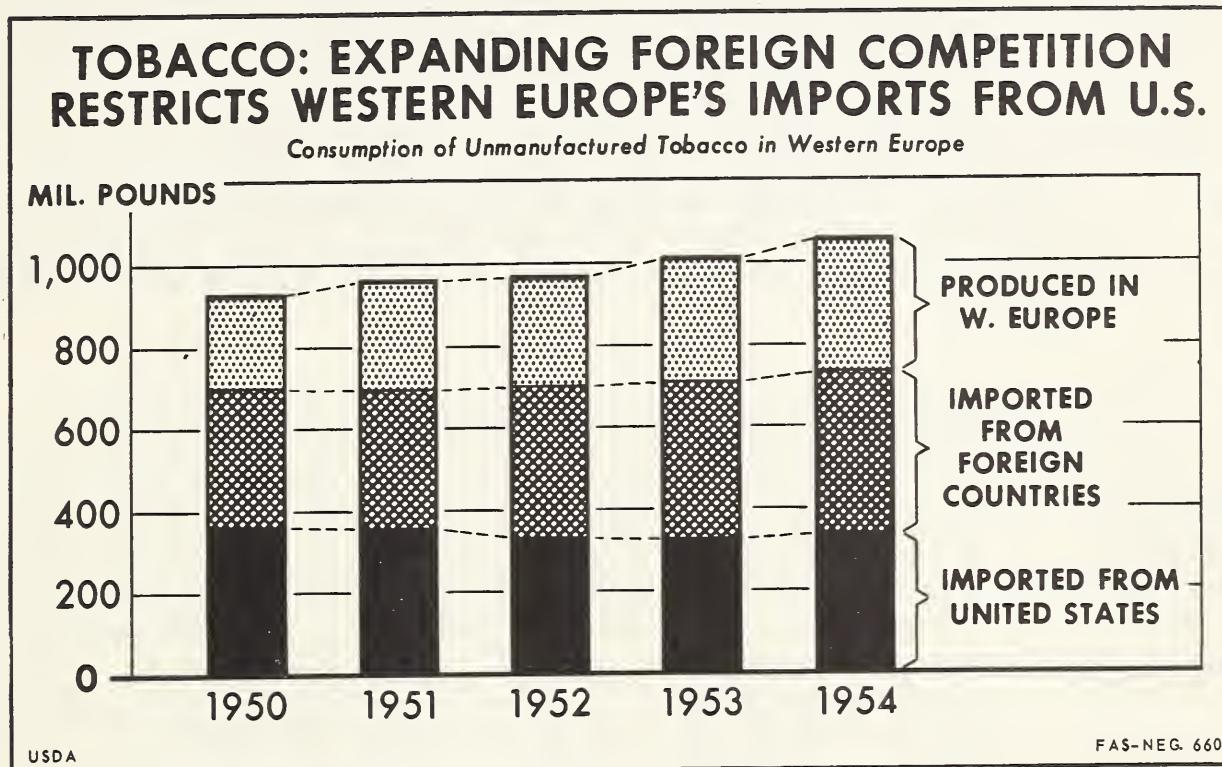
1/ Excludes Soviet Bloc countries and China.

2/ Preliminary.

3/ Fiscal year beginning April 1 of the year shown.

United States Share of Total Tobacco Imports in
Important Foreign Markets

Western Europe.--Western Europe bought only 42 percent of its tobacco from the U. S. in 1954 as compared with 50 percent in 1947-51. This market takes about 75 percent of all U. S. tobacco exports.



The decline has occurred chiefly because of: (1) larger supplies of cigarette tobaccos from Rhodesia, India, Canada, Turkey, and Greece; (2) preferential import duties; (3) discriminatory bilateral trading arrangements; and (4) increased domestic production in Western Europe.

United Kingdom.--The U. S. share of our most important market, the United Kingdom, declined from 75 percent in 1935-39 to 51 percent in 1954. This decline was due mainly to increased shipments from Southern Rhodesia, India, and Canada, because of preferential duties (about 21.5 cents less per pound), long-term guaranteed purchase agreements with Southern Rhodesia, the U. K. policy of limiting dollars for importing tobacco and, to some extent, foreign prices that are lower than those for U. S. leaf. The U. S. share in the U. K. market is likely to continue to decline as output in Commonwealth areas increases further.

Western Germany.--The U. S. now supplies a larger share of Western Germany's imports (now the second-largest U. S. customer) than before World War II. This share, however, has declined sharply from 54 percent in 1947-51 to 41 percent in 1954. Western Germany's domestic production of flue-

cured and Burley has increased greatly. But most of the decline in the U. S. share of total consumption has been due to increasing imports of oriental leaf from Greece and Turkey. The larger imports from these two countries are, to some extent, due to lower prices but are also partly in response to efforts to increase German exports of manufactured products to these areas.

Netherlands.--The U. S. share of imports by the Netherlands (third most important U. S. foreign customer) declined from 50.2 percent in 1947-51 period to 37 percent in 1953 and 1954. Most of this shift was due to increased imports of dark tobaccos from Indonesia and Brazil.

Australia.--The U. S. share of Australia's tobacco imports (fourth largest U. S. market) declined from 97.7 percent prewar to 64.2 percent in 1954 as a result of increased competition from Southern Rhodesia and Canada. Lower prices, lower import duties on Rhodesian leaf, and the fact that purchases from Southern Rhodesia are for Sterling, are chiefly responsible for this shift.

Table 15.--U. S. share of unmanufactured tobacco imported by the five largest customers of the U. S.

Importing Country	Source	1935-39	1947-51	1953	1954
		Average	Average		
		Percent	Percent	Percent	Percent
<u>United Kingdom</u>	United States....	74.6	57.4	55.2	51.1
	Southern Rhodesia:	5.8	14.6	18.1	20.1
	India.....	7.3	11.2	10.0	11.6
	Canada.....	5.3	5.6	7.6	8.0
	Other.....	7.0	11.2	9.1	9.2
<u>Western Germany</u>	United States....	6.7	53.8	43.1	40.7
	Greece.....	21.7	8.8	17.4	21.2
	Turkey.....	11.5	13.7	11.5	11.2
	Indonesia.....	23.3	2.9	5.5	6.1
	Brazil.....	13.5	8.5	8.8	8.1
	Other.....	23.3	12.3	13.7	12.7
<u>Netherlands</u>	United States....	26.5	50.2	35.3	38.5
	Indonesia.....	39.3	8.0	11.8	19.3
	Brazil.....	14.1	8.8	9.3	13.8
	Other.....	20.1	33.0	43.6	28.4
<u>Australia</u>	United States....	97.7	76.2	65.1	64.2
	Southern Rhodesia:	0.1	18.5	25.6	27.5
	Canada.....	-	1.6	6.8	6.0
	Other.....	2.2	3.7	2.5	2.3
<u>Philippine Republic</u>	United States....	98.4	99.9	100.0	99.7
	Other.....	1.6	0.1	-	0.3

Philippines.--Since World War II, the Philippines has been the fifth largest importer of U. S. leaf. Unless, however, there is a change in Philippine tobacco legislation, imports from the U. S. will be drastically reduced in the future. This legislation provides that tobacco can only be imported if the Government issues a Certificate of Deficiency in domestic production.

The same legislation provides for very high price support levels on production of flue-cured leaf, and guarantees the purchase of total production regardless of quality. Largely because of these laws, output of flue-cured tobacco in the Philippines rose from 2.4 million pounds in 1953 to 15.5 million in 1955. The 1956 crop is estimated at 33 million pounds. The import duty of 60 cents per pound, which went into effect January 1, 1956, will also further deter purchases from the U. S. The full duty rate of \$2.40 per pound will become effective progressively over the next few years.

Dairy Products

Much of the world's production of milk is consumed domestically and only a moderate proportion of total production of manufactured dairy products enters world trade. The number of countries which have substantial exports of dairy products is small, and their export trade is large relative to their total production of milk and dairy products. It is also highly important in their total economic activity. These countries are, perforce, alert and aggressive in maintaining and improving the quality of their products and the marketing services associated with that trade. They are quick to take advantage of new markets and new trade developments, and are intent upon increasing their exports of dairy products. The general tendency in the primary importing countries is to reduce dairy product imports and, through various direct and indirect aids to domestic production, to attempt to obtain a larger proportion of total supplies from domestic output.

U. S. prices of butter, cheese and nonfat dry milk solids are substantially higher than world prices for these products. The domestic wholesale price for 92 score butter is about 58.5 cents per pound compared with 49 cents for butter of equivalent grade landed in the United Kingdom, the world's largest butter market. The domestic wholesale price for cheddar cheese is about 34 cents per pound compared with a landed price of 34 cents in the United Kingdom. The domestic wholesale price for nonfat dry milk solids is 16 cents per pound compared with 10 to 11 cents per pound in world markets.

These price relationships, entirely apart from such matters as product differences and preferences, established trade channels, special trade agreements, and limited dollar exchange, make it imperative that U. S. dairy products be subsidized if they are to move competitively in international trade channels. The U. S. has seldom been a net exporter of dairy products except under government programs during and after wartime periods. Commercial dairy firms, with few exceptions, have had relatively little experience in international trade.

Production

Butter.--Butter production in the major butter exporting countries of the Free World, excluding the U. S., is at about the same level now as it was before World War II. It has gradually increased during the past four years. Production in the major importing countries is about 9 percent above prewar and it has increased substantially during the past four years to a level nearly 20 percent above 1951. Butter production in the rest of the Free World is almost the same as in 1934-38 and has gradually increased over the last four years. Production of butter in the U. S. has declined 25 percent since 1934-38 but has increased about 15 percent since 1951. Total Free World butter production is about 3.5 percent below prewar but is about 10 percent above 1951.

Table 16.--Butter: Estimated free world production 1/, average 1934-38, Annual 1951-54 (1,000 lbs.)

Free World	Annual				
	Average	1951	1952	1953	1954
	1934-38				
Seven Major Exporters.....	2,060,000	1,923,000	1,912,000	2,043,000	2,065,000
Four Major Importers.....	996,000	913,000	919,000	1,007,000	1,079,000
Six Other Important Producers 2/.....	942,000	984,000	981,000	1,052,000	1,117,000
Other Free World....	<u>2,137,000</u>	<u>2,067,000</u>	<u>2,081,000</u>	<u>2,094,000</u>	<u>2,123,000</u>
Total Free World, : Excluding USA.....	6,135,000	5,887,000	5,893,000	6,196,000	6,384,000
United States.....	<u>2,210,000</u>	<u>1,453,000</u>	<u>1,417,000</u>	<u>1,629,000</u>	<u>1,661,000</u>
Total Free World : Including USA.....	8,345,000	7,340,000	7,310,000	7,825,000	8,045,000

1/ Includes farm butter.

2/ These countries vary between net export and net import status.

Cheese.--Cheese production in the Free World exclusive of the U. S. has increased substantially since prewar in all major dairy areas but the greatest increase, more than 40 percent, has occurred in 9 major cheese exporting countries. Cheese production has also increased quite generally since 1951. U. S. production is now a little more than twice as large as in 1934-38 and it is nearly 17 percent larger than in 1951. Total Free World production is 50 percent larger than in 1934-38 and 16 percent larger than in 1951.

Canned Milk.--Canned milk production in 1954 in six major exporting countries, excluding the United States, was more than twice as large as

Table 17.--Cheese: estimated free world production, 1/
average 1934-38, annual 1951-1954

Free World	:		Annual					
	: Average :							
	: 1934-38 :							
	:	1951	:	1952	:	1953	:	1954
	: 1,000 lbs.	: 1,000 lbs.						
Nine Major Exporters..	1,909,000	2,367,000	2,511,000	2,672,000	2,735,000			
Three Major Importers:	395,000	453,000	483,000	574,000	547,000			
Five Other Important Producers 2/.....	339,000	328,000	326,000	323,000	349,000			
Other Free World.....	244,000	246,000	287,000	300,000	323,000			
Total Free World, Excluding USA.....	2,887,000	3,394,000	3,607,000	3,869,000	3,954,000			
United States.....	643,000	1,161,000	1,170,000	1,345,000	1,354,000			
Total Free World.....								
<u>Including USA.....</u>	<u>3,530,000</u>	<u>4,555,000</u>	<u>4,777,000</u>	<u>5,214,000</u>	<u>5,308,000</u>			

1/ Cheese made from whole milk, and includes farm cheese.

2/ These countries vary between net export and net import status.

in 1934-38 and was about 5 percent larger than in 1951. Production in the two major importing countries (United Kingdom and Cuba) was 23 percent smaller in 1954 than in 1934-38 but was 32 percent larger than in 1951. These changes chiefly reflect production in the United Kingdom. Total Free World production in 1954, excluding the United States, was 54 percent larger than in 1934-38 and was 10 percent larger than in 1951. United States production was 30 percent larger than in 1934-38 but was 13 percent smaller than in 1951. Total Free World production in 1954 was 37 percent above pre-war but was down 6 percent from 1951.

Dried-Milk.--Dried milk production, whole and skim, in three major exporting countries excluding the U. S., is more than three times as large as in 1934-38 and about 58 percent larger than in 1951. Free World production, excluding the U. S., is nearly $3\frac{1}{2}$ times as large as prewar and, more significantly, is 58 percent larger than in 1951. U. S. production, chiefly nonfat dried milk solids, is more than seven times as large as in 1934-38 and is 80 percent larger than in 1951. Total Free World production is $5\frac{1}{2}$ times as large as in 1934-38 and is almost 75 percent larger than in 1951.

Trade in Dairy Products

The volume of world trade in butter is about 20 percent below the 1934-38 level despite a substantial increase in population in the major importing countries. This reflects the vigorous competition of margarine and also some decline in per-capita fat consumption in the advanced countries of the world. U. S. exports of butter have been negligible except during

Table 18.--Canned milk: estimated free world production
average 1934-38, annual 1951-1954 1/

Free World	Average	Annual			
	1934-38	1951	1952	1953	1954
	1,000 lbs.				
Six Major Exporters					
2/.....	540,117	1,099,049	1,297,532	1,147,672	1,154,765
Two Major Importers	411,124	237,608	306,376	373,142	314,692
Total Free World					
Excluding USA.....	951,241	1,336,657	1,603,908	1,520,814	1,469,457
United States 3/.....	1,970,189	2,955,319	2,894,474	2,594,803	2,559,444
Total Free World					
Including USA.....	2,921,430	4,291,976	4,498,382	4,115,617	4,028,901

1/ Both condensed and evaporated milk.

2/ Does not include New Zealand, a major exporter, which does not break down canned and dried milk data.

3/ Evaporated whole and condensed whole, case goods only.

Table 19.--Dried milk: estimated free world production
average 1934-38, annual 1951-1954 1/

Free World	Average	Annual			
	1934-38	1951	1952	1953	1954
	1,000 lbs.				
Three Major Exporters 2/.....	99,488	201,529	278,155	301,914	316,552
One Major Importer 3/.....	43,098	54,880	57,568	95,424	110,432
Five Other Important Producers 4/.....	23,928	100,681	132,433	141,860	144,075
Total Free World, Excluding USA.....	166,514	357,090	468,156	539,198	571,059
United States.....	203,555	833,493	964,952	1,318,126	1,496,248
Total Free World					
Including USA.....	370,069	1,190,583	1,433,108	1,857,324	2,067,307

1/ Total dried whole milk and dried skim milk for human consumption.

2/ Does not include New Zealand, a major exporter, which does not break down canned and dried milk data.

3/ United Kingdom only.

4/ These countries vary between net export and net import status.

the war and immediate post-war years and later. U. S. butter exports are small in relation to total production but are significant in relation to price support purchases. U. S. butter prices are substantially above world butter prices. The extreme difference is illustrated by the price of Danish butter destined for the United Kingdom at about 44 cents per pound during January-September 1955 compared with commercial U. S. offerings at more than 60 cents a pound. The highest Danish price reported during this period was around 54 cents per pound for small lot shipment to small markets.

World trade in cheese has increased about 35 percent above prewar and about three percent since 1951. U. S. exports of cheese have been very small except when this country was called on to supply high-quality protein food during and immediately after the war. Recent exports under Government programs have been large but not large enough to reduce price support stocks to desired levels. The problem of disposition of cheese stocks is serious. People do not eat more cheese even at favorable prices unless they are habitual cheese consumers and habits of taste and other preferences are strong. U. S. cheese prices are much higher than those of foreign competitors.

World trade in canned milk has increased about 50 percent since pre-war but has declined about 10 percent since 1951. U. S. exports are about four times as large as prewar but substantially smaller than in 1951. Lower priced canned milk from the Netherlands, chiefly condensed milk during the past two years, has displaced U. S. canned milk in several markets abroad.

World trade in dried milk has increased tremendously (800 percent) since prewar, but only about 5 percent since 1951. U. S. exports have increased substantially during the past few years as the result of Government programs involving both donations and sales at competitive world prices. Many foreign customers have through these programs for the first time been able to try such dairy products. These people need particularly the calcium and protein furnished by such foods. In some areas and for some income groups consumption of such products will continue and in some likely expand. However, in many of these areas low incomes must be raised and foreign purchasing power made available (in the absence of aid programs) if many of these people are to continue the use of such products.

As shown in the tables below, exports of butter, cheese, and nonfat dry milk solids from the U. S. have increased sharply during the past two years. Data for 1955 on actual shipments show that the quantity of nonfat dry milk solids exported was 38 percent of 1955 production compared with much smaller percentages in all previous years, except 1948 and 1950. Cheese shipments in 1955, again incomplete, were 10 percent of 1955 production, the highest percentage of record. The figure for butter shipments, also incomplete, was also the highest ever recorded. These large shipments could not possibly have been achieved without the aid of Government programs expressly designed to increase export movement and reduce stocks of price supported commodities.

Current price support stocks of nonfat dry milk solids are very low and butter stocks have been sharply reduced. Stocks of cheese have been reduced but are still large and remain a serious problem. A substantial difficulty in exporting larger quantities of dairy products is that world trade in these products is handled largely by, and is very important to, other Free World countries with which the U. S. maintains friendly relations. The U. S. Government has endeavored to handle the disposition of surplus dairy stocks in world markets to avoid disturbing world dairy markets by emphasis on developing new and additional markets. This latter task is hindered by U. S. prices which are higher than those of competitors, low purchasing power of many people abroad, limited foreign exchange, restrictions on dairy imports, and many other problems. In common with most other long range programs it yields results only slowly.

Table 20.--Butter exports from certain countries and world total, prewar average (1934-38) annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - Million Pounds - - - -					
Denmark	329	308	251	299	308
New Zealand	309	330	411	356	297
Netherlands	110	19	110	116	115
Australia	220	79	73	87	107
Argentina	19	18	3	34	36
Sweden	51	58	29	30	29
Finland	24	2	9	-	7
Subtotal	1,062	814	886	852	899
United States	1	22	1	25	54
World Total	1,345	992	948	970	1,000

Table 21.--Cheese exports from certain countries and world total, prewar average 1934-38, annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - Million Pounds - - - -					
New Zealand	194	237	204	227	207
Netherlands	132	160	172	190	203
Denmark	18	101	119	132	131
Australia	22	42	53	52	53
Switzerland	42	41	44	40	48
Italy	53	36	43	38	38
France	25	39	39	37	41
Finland	12	18	21	24	25
Republic of Germany	-	4	9	8	13
Subtotal	498	678	704	748	759
United States	1	81	4	20	34
World Total	617	816	750	805	832

Table 22.--Canned milk exports from certain countries and world total,
prewar average (1934-38) annual 1951-54 1/

Country	Prewar	1951	1952	1953	1954
: - - - - Million Pounds - - - - :					
Netherlands.....	356	387	439	458	462
Denmark.....	40	99	101	88	61
United Kingdom.....	36	21	4	4	52
Australia.....	15	88	73	76	44
France.....	2/ 11	37	33	29	32
New Zealand.....	6	24	26	24	13
Switzerland.....	13	6	9	9	11
Canada.....	20	30	26	19	8
Subtotal.....	497	692	711	707	683
United States.....	34	232	127	151	133
World Total.....	3/ 550	4/ 937	4/ 863	5/ 881	834

1/ Includes condensed and evaporated.

2/ Includes dried milk.

3/ Does not include West Germany, France, Italy or Japan.

4/ Does not include Argentina and West Germany.

5/ Does not include West Germany or Japan.

Table 23.--Dried milk exports from certain countries and world trade,
prewar average (1934-38), annual 1951-54 1/

Country	Prewar	1951	1952	1953	1954
: - - - - Million Pounds - - - - :					
New Zealand.....	16	81	114	118	88
Netherlands.....	37	45	81	64	71
Australia.....	3	29	47	59	53
Canada.....	6	11	43	37	25
Belgium.....	Neg.	6	8	20	21
Switzerland.....	3	7	6	8	8
United Kingdom.....	-	5	4	5	7
Sweden.....	-	9	15	9	5
Subtotal.....	65	193	318	320	278
United States 2/.....	5	283	103	229	290
World Total.....	3/ 71	4/ 540	4/ 485	584	571

1/ Dried whole milk and nonfat dry milk solids.

2/ Includes shipments by UNICEF in post-war period.

3/ Does not include Germany and France.

4/ Does not include Argentina.

Table 24.--Butter imports of certain countries and world total,
prewar average (1934-38), annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - - Million Pounds - - - - -					
United Kingdom.....	1,075	690	581	631	632
Republic of Germany.....	1/ 203	58	20	19	29
Belgium.....	10	44	59	29	17
Israel.....	5	4	1	6	19
Italy.....	1	41	19	21	14
Subtotal.....	1,294	837	680	706	711
United States.....	9	neg.	neg.	neg.	1
World Total.....	1,345	992	948	970	1,000

1/ For 1938.

Table 25.--Cheese imports of certain countries and world total,
prewar average (1934-38, annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - - Million Pounds - - - - -					
United Kingdom.....	319	435	307	327	296
Republic of Germany.....	1/ 22	93	90	118	129
Belgium.....	51	70	71	71	75
Italy.....	10	25	32	48	52
Algeria.....	11	21	23	23	24
Sweden.....	2	4	10	6	10
Subtotal.....	415	648	533	593	586
United States.....	54	52	49	56	50
World Total.....	617	816	750	805	832

1/ Less than a 5-year average.

Table 26.--Canned milk imports of certain countries and world total,
prewar average (1934-38), annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - - Million Pounds - - - - -					
Republic of Philippines....	41	139	91	124	131
British Malaya.....	74	134	124	117	120
Thailand.....	22	1/ 48	1/ 49	64	61
Cuba.....	5	43	56	44	28
Belgium.....	4	43	44	45	23
Indonesia.....	N/A	1/ 50	1/ 59	1/ 18	22
United Kingdom.....	199	114	93	71	8
Ceylon.....	N/A	2/ 11	2/ 13	2/ 13	2/ 14
Greece	4	41	21	19	19
Subtotal.....	349	623	550	515	426
United States.....	neg.	neg.	neg.	neg.	neg.
World Total 3/.....	4/ 550	5/ 937	5/ 863	6/ 881	834

1/ Based on incomplete data on exports by country of destination as reported by major supplying countries.

2/ Includes dry milk.

3/ Reported exports.

4/ Excludes West Germany, France, Italy, Japan.

5/ Excludes Argentina and West Germany.

6/ Excludes West Germany and Japan.

Table 27.--Dried milk imports of certain countries and world trade,
prewar average (1934-38), annual 1951-54

Country	Prewar	1951	1952	1953	1954
- - - - - Million Pounds - - - - -					
United Kingdom	31	72	95	135	108
Venezuela	1/ 2	1/ 71	1/ 48	1/ 75	1/ 72
India	2	23	2/ 30	36	39
Israel	1	2/ 12	2/ 24	27	30
Belgium	3/ 8	18	21	19	20
Subtotal	44	196	218	292	269
United States	6	10	38	6	1
World Total	71	540	485	584	571

1/ Includes canned milk.

2/ Based on incomplete data.

3/ Average for 1937-39.

Table 28.--Export position of the United States for butter, cheese and nonfat dry milk solids average 1935-39, annual 1948-1955

Poultry Products

The real competition that U. S. poultry products face in foreign markets is not so much foreign production but the political and discriminatory barriers used to exclude U. S. products -- chiefly the so-called "disease regulations," import permits, currency exchange restrictions, etc.

U. S. exports of poultry products have increased greatly in recent years, rising from about \$1 million in 1937 to about \$33 million in 1955. This large increase, nevertheless, represents less than 1 percent of the cash income to farmers from poultry products. During the last two years members of the U. S. poultry industry have become increasingly interested in export markets. They are convinced that high quality U. S. products can effectively compete in world markets because of a high degree of efficiency used in production.

Although the U. S. poultry industry is by far the largest in the world, the Netherlands and Denmark export from two to three times as much as the U. S. Their poultry industries have been built on the basis of supplying foreign markets and have become one of their chief means of earning foreign exchange. Other exporting countries are Ireland, Poland, Hungary, Union of South Africa, Canada, Australia, and China. The major importing countries are West Germany, United Kingdom, Switzerland, Mexico, Venezuela, Cuba, and Colombia. About 85 percent of U. S. exports are to the four latter countries.

Measured by U. S. standards of per-capita consumption of poultry products, Europe would seem to be a large potential market for U. S. products. In most of Europe not more than 150 eggs per person and 5 pounds of poultry are consumed annually, compared to 415 eggs and 30 pounds of poultry in the U. S. It may be possible to raise per-capita consumption in Europe, but a long period would be required to increase greatly the use of poultry products. This would require a revision of long established eating habits and yet this is the only way that it appears possible to significantly increase U. S. exports of poultry products to Europe.

U. S. exports probably will continue to rise, but a large and rapid expansion is not likely unless there is a sharp rise in total foreign demand as the present suppliers have the benefits of lower wage scales and, in some cases, lower feed prices, and there are numerous restrictions which limit imports into a number of countries. Local producing interests in the importing country would likely be effective in preventing a large increase in imports unless rising imports are within the framework of increasing total demand for poultry products in the importing country. Transportation costs from the U. S. to the important importing countries of Western Europe are much higher than they are from Denmark and the Netherlands to these same countries.

Import restrictions and trade barriers to U. S. poultry products are presently in effect in all countries of Western Europe except Switzerland.

The Public Law 480 agreement with Germany affords an opportunity to show buyers the qualities and prices of U. S. poultry products and gain consumer acceptance of U. S. products and, at the same time, contribute to increasing the long-term demand for poultry products. The degree of success that the U. S. achieves in expanding exports depends chiefly on the removal of restrictions to imports of U. S. poultry products and the level of over-all demand for poultry products in the importing countries.

Other Livestock and Meat Products 1/

World Situation

Except for lower priced cuts of pork and beef, relatively little U. S. meat is exported chiefly because U. S. prices are usually higher (also quality) than those of the other exporting countries. However, U. S. exports of by-products are important and foreign demand could absorb even larger quantities. Prospects are good for increasing exports of variety meats and certain offal products, if foreign consumers have an opportunity to compare the prices and quality of these U. S. products with those of products from other sources and changes are made in the import regulations in some countries.

Since the end of World War II meat production has increased steadily in foreign countries; by 1954 it was 24 percent higher than prewar. In Western Europe, which has been considered the best market for meat and meat products, production was 80 percent greater in 1954 than in 1946, and 17 percent above prewar. In the U. S. and Canada, after a marked decline from the high level of the immediate postwar period, sizable expansion was resumed in 1951, and production in 1954 was about 56 percent above the prewar level and 15 percent larger than in the immediate postwar period. Both Australia and New Zealand in the 1953-54 production year exceeded the prewar level by 21 percent. In Latin America, output increased in the first postwar years, but since 1949 it has remained about constant, being approximately 7 percent above prewar. Most South American countries are making great efforts to improve their livestock and thus increase their meat production.

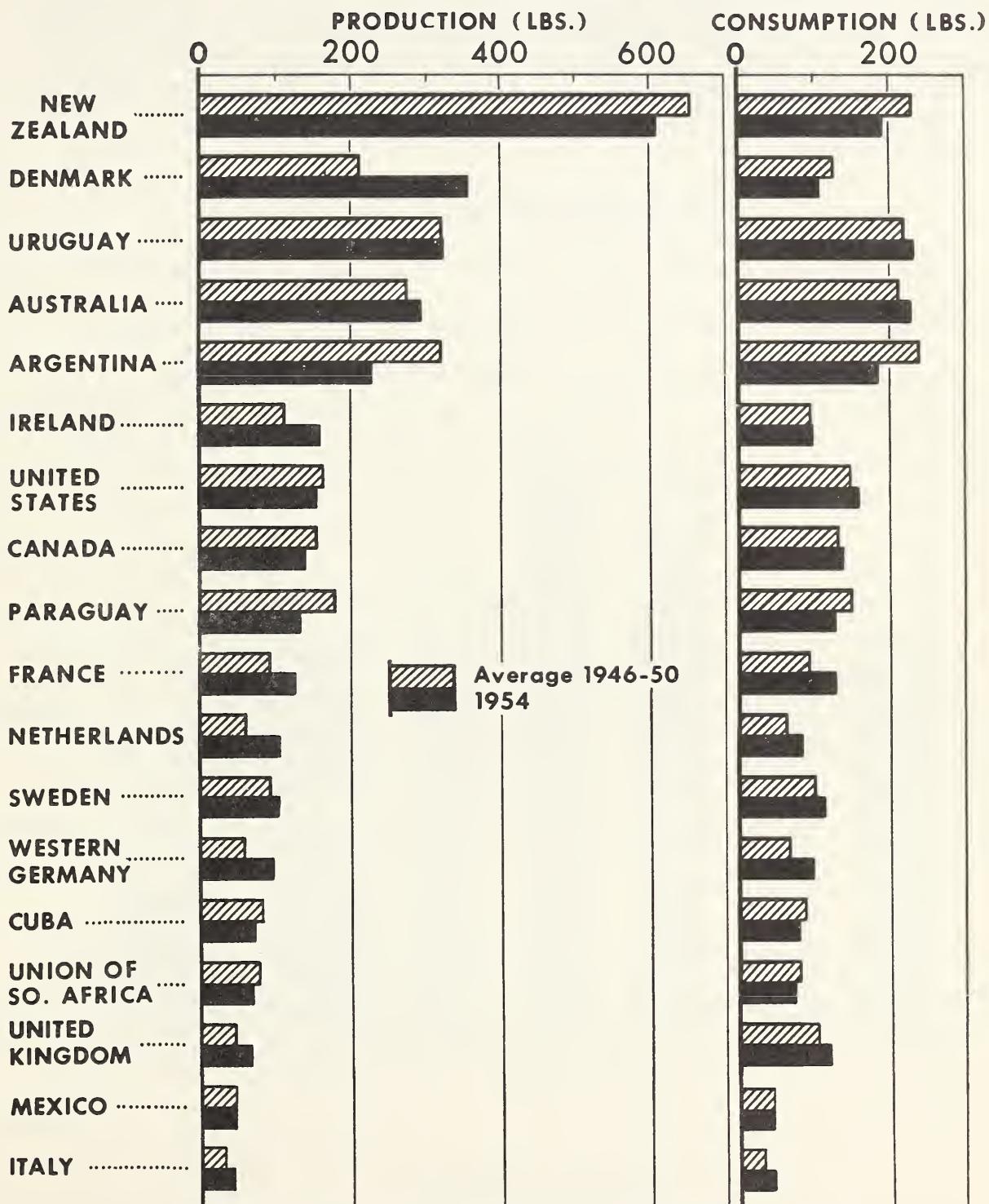
Change in the International Pattern of Trade

The international pattern of trade in meat during postwar years changed substantially. Imports into Europe, the largest consuming area, declined sharply, and exports from a number of European countries almost doubled the prewar volume. The U. S., once a large meat exporter, has become a net importer of red meat. South America also, once a large meat exporter, has had a substantial decline in exports and in 1954 its exports were less than 50 percent of the prewar level.

1/ Although lard and tallow are discussed in this section, data on these products are included in tables in the Fats and Oils section.

MEAT*: PRODUCTION AND CONSUMPTION PER PERSON, SPECIFIED COUNTRIES

Average 1946-50, and 1954



*BEEF, VEAL, PORK, LAMB, GOAT AND HORSEMEAT ON A CARCASS WEIGHT BASIS.
EXCLUDES OFFAL, LARD, RABBIT AND POULTRY MEAT.

There is every indication that Russia has become an important meat importer. In 1954, purchases of meat in world markets by the U.S.S.R. and Eastern European countries were about 265 million pounds, which is much larger than the previous year. Argentina, Uruguay, Denmark, and France were the main suppliers. More than 65 percent of that purchased by the Iron Curtain countries was taken by the U.S.S.R., while most of the balance went to Czechoslovakia and Eastern Germany. Purchases by the U.S.S.R. continued in 1955. With the exception of Poland, which exports substantial quantities of canned hams and other pork products to Europe and North America, shipments from other Iron Curtain countries are negligible.

More Meat Production is Expected

World meat production 1955 was very high and the prospects for 1956 and forecasts for the years ahead are for more meat production in most Western European countries, North America, Oceania, and Argentina.

Exports of meat from foreign countries in 1954 were about 11 percent above prewar and were even higher in 1955 despite a drop in Uruguayan production. No decline is anticipated in world meat trade in 1956. Imports of meat into the United States in 1955 were lower than in 1954--the lowest since 1951 and are expected to continue lower in 1956.

Prices

In 1951 and 1952, world meat prices were the highest since World War II. Prices began to decline in both the U. S. and Canada in 1952 and the downward movement has continued to the present time. In Europe prices declined little in 1953 and actually increased in several instances in 1954 while prices continued to decline in Canada and the U. S. In the United Kingdom prices have been rising steadily. Prices for meat from the Southern Hemisphere increased steadily until 1954 due to strong import demand in the United Kingdom and rising costs of production in the exporting countries.

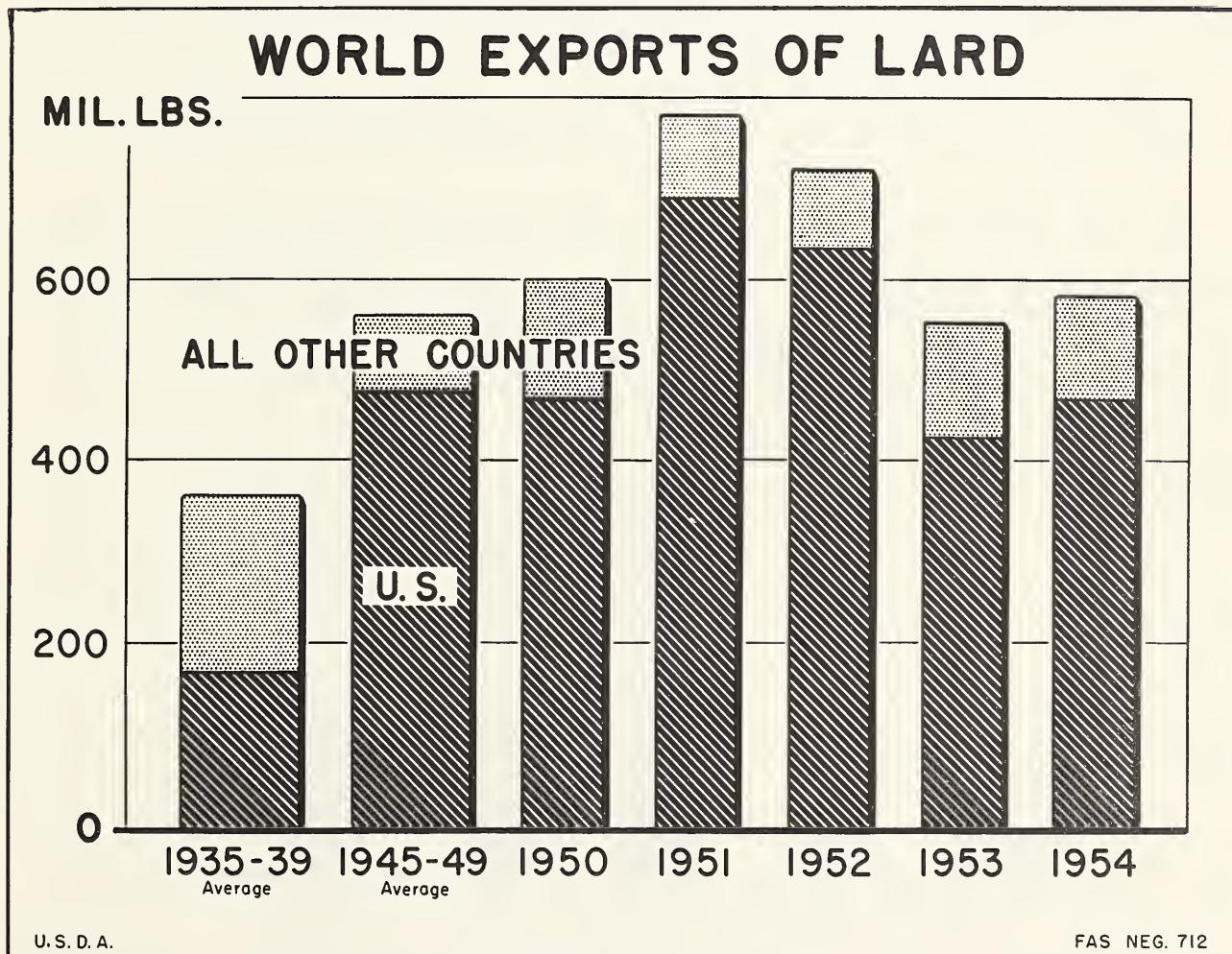
The U. S. prices of lard, tallow, casings, variety meats (offal), cattle hides and calf and kip skins, which make up the bulk of the U. S. exports of livestock and meat products, are very competitive with those of foreign products. These products have been moving to foreign markets in substantial quantities. The amounts exported by the U. S. in 1955 were considerably larger than in 1954.

Barriers to Exports

In several European countries, Latin America, as well as Canada imports are limited by high tariffs, taxes, import quotas, exchange controls, dollar shortages, and inspection regulations. Restrictions are imposed by several countries on pork products from the U. S.

ostensibly because of the occurrence of vesicular exanthema and hog cholera. Bilateral trade agreements, subsidies, and protectionist measures to encourage costly domestic production are also resorted to by many foreign countries.

Lard.--Outside of the U. S., only European production of lard is presently of any appreciable commercial importance in the world. Except in Argentina, lard production in South America countries varies widely, and is generally below domestic requirements. Brazil exported sizable quantities of lard in prewar years but is currently in short supply. Argentina's exports of lard reached a peak in 1945 with shipments of nearly 120 million pounds, practically all of it was exported to other South American countries. Since then, Argentine exports have been on a much smaller scale, and in 1954 totaled only 16 million pounds.



The major lard exporting countries in Europe are Denmark, The Netherlands, Belgium, Luxembourg, and France. As a rule, most of the Danish lard is exported to the United Kingdom, but in 1954 more than half of the total went to Austria, Germany, and Czechoslovakia. The main market for Dutch shipments in 1954, largely re-exports of U. S. refined hog fat, was

Czechoslovakia, while large amounts also were exported to Yugoslavia, Brazil, Eastern Germany, the U.S.S.R., and other European countries.

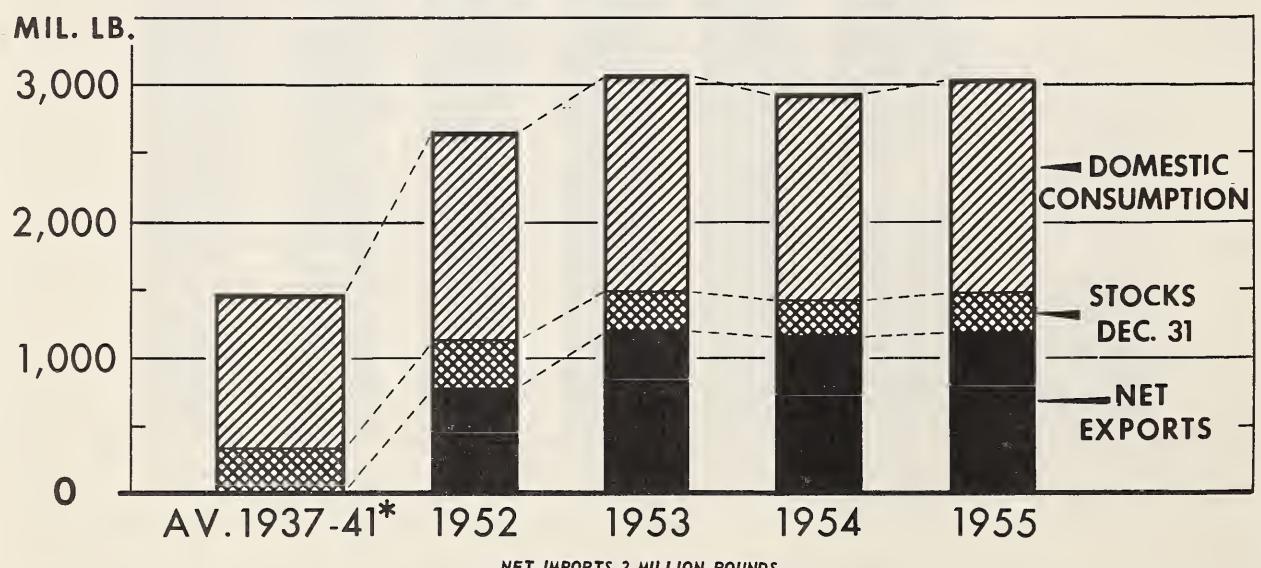
Tallow.--European production of tallow and grease has continued to recover from the effects of the war and currently is above prewar levels. Other important tallow-producing countries are Canada, Mexico, Argentina, Brazil, Colombia, Uruguay, Australia, and New Zealand. Except for the U. S., only Australia and New Zealand are important net exporters today. Argentina was the largest exporter of tallow in 1935-39 period, and through 1948 was a major supplier. Since then Argentina's exports have been at a sharply reduced rate.

About 80 percent of tallow entering the international market is exported from the U. S. Japan has been a major foreign market for U. S. tallow and greases in recent years, but was second to the Netherlands in 1954. While over half of U. S. exports went to Western Europe, large quantities of U. S. soap fats also went to Mexico, South America, Egypt, and the Union of South Africa.

The prices of both U. S. lard and tallow are very competitive with other fats and oils.

INEDIBLE TALLOW AND GREASE: U. S. NOW A NET EXPORTER

U. S. Utilization of Edible Tallow and Grease



USDA

FAS-NEG. 658

Hides and Skins.--Foreign production of hides and skins has increased proportionately with the livestock production. The increased supplies have resulted in the development in recent years of a highly competitive world market particularly for cattle hides and calf and kip skins.

The foreign producers of hides and skins have in the past found a good market in the U. S. Since 1953, the U. S., because of increased slaughter of cattle, has become an important net exporter of hides and has almost replaced South America as the principal supplier of cattle hides to Western Germany. The foreign market for South American hides has recently been very active and has absorbed practically the total current production and also the previously accumulated surplus stocks. Exports of South American hides to Soviet Bloc countries were relatively larger in 1954 and 1955.

Wool.--Foreign wool production for 1955 is estimated at 2,600 million pounds, clean basis, compared with U. S. production of 135 million pounds. The long-term trend of increasing output continues in Australia, New Zealand, and Union of South Africa. Foreign consumption in 1955 was moderately higher than in 1954. The prospects of a larger foreign clip this past season coupled with somewhat uncertain level of consumption nevertheless, prolonged the downward trend in world wool prices which began in early September of 1954.

Factors influencing wool production in Australia are as a whole probably as strong or stronger than at any time in the history of sheep and wool production. Even though wool prices are below those of the past few years, they are still favorable to expansion of wool production in comparison to production of other agricultural commodities.

Table 29.--Meat-International trade, average 1946-50, annual 1952-54 1/

Country or Area	Average 1946-50		1952		1953 2/		1954 2/	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
- - - - - Million Pounds - - - - -								
N. America-:								
total.....:	843	260	370	587	301	510	322	472
United States.:	409	219	149	502	149	439	122	412
Other.....:	434	41	221	85	152	71	200	60
Europe-total.:	575	3,907	1,457	2,870	1,802	3,611	2,020	3,466
United Kingdom:	2	3,033	11	2,411	10	3,158	15	2,933
Other.....:	573	874	1,446	459	1,792	453	2,005	533
U.S.S.R.....:	3/	67	3/	13	3/	46	3/	185
Philippine Rep.:	-	17	-	9	-	14	-	18
South America.:	1,733	40	841	55	929	44	1,181	53
Africa.....:	56	23	47	26	33	23	17	13
Oceania.....:	1,273	-	1,387	-	1,556	-	1,479	1
World Total:	4,480	4,314	4,102	3,560	4,621	4,248	5,019	4,207

1/ All meats converted to a carcass weight equivalent includes, beef and veal, pork, mutton and lamb, goat and horsemeat; excludes live animals, edible offal, lard, tallow, rabbit and poultry. 2/ Preliminary. 3/ Not available. 4/ Imports do not balance with exports as trade statistics of some countries, especially small importing countries, do not show separately meat import figures. Also in postwar years some countries have not published trade statistics.

Table 30.--Meat.-Preliminary estimate of production, net trade,
and apparent consumption ^{1/}

	PRODUCTION	NET TRADE ^{4/}				APPARENT CONSUMPTION ^{5/}	
		+ IMPORTS		- EXPORTS			
		Prewar	1946-50	1946-50	1946-50		
Prewar	Average	1953 ^{3/}	1954 ^{3/}	1946-50	1953 ^{3/}	1946-50	
<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	
U. S. Total ^{5/}	16,182	22,264	24,780	25,333	+ 65	- 170	
For. Countries Total... ^{6/}	52,515	54,387	63,628	65,345	- 111	- 345	
U. S. Beef and Veal.....	-	10,980	13,989	14,647	-	+ 12	
For. Beef and Veal....	-	29,628	34,976	36,399	-	- 375	
U. S. Pork.....	-	10,541	10,063	9,952	-	- 175	
For. Countries Pork....	-	20,010	23,610	23,894	-	- 115	
U. S. Lamb and Mutton.....	-	743	728	734	-	- 7	
For. Lamb and Mutton....	-	4,342	4,545	4,523	-	+ 23	
U. S. Horsemeat.....	-	-	-	-	-	-	
For. Horsemeat.....	-	407	497	529	-	+ 85	

^{1/} Carcass meat basis - excludes offal and lard.

^{2/} Prewar averages are for years 1935-39 for the United States, Canada, Denmark, Finland and Sweden, 1936-38 for Greece, United Kingdom, Australia and New Zealand, and 1934-38 principally for others.

^{3/} Preliminary.

^{4/} Consumption estimates take in account changes in commercial stocks and include military consumption.

^{5/} 17 million pounds of horsemeat not included in total.

^{6/} 1953 ^{3/}

Table 31.--Lard and tallow and grease: production and exports, estimated world and United States, average 1935-39, annual 1951-55

(Million Pounds)

	Average 1935-39	1951	1952	1953	1954 1/	1955 2/
<u>Production</u>						
<u>Lard</u>						
Foreign.....	5,370	5,216	5,534	5,632	5,672	5,750
United States.....	1,630	2,864	2,886	2,368	2,358	2,700
Percent U.S. to Foreign:	30%	55%	52%	42%	42%	47%
<u>Tallow and Grease</u>						
Foreign.....	2,002	2,298	2,339	2,530	2,638	2,664
United States.....	1,098	2,402	2,501	2,910	2,882	3,036
Percent U.S. to Foreign:	55%	105%	107%	115%	109%	114%
<u>Exports</u>						
<u>Lard</u>						
Foreign.....	194	101	86	127	115	110
United States.....	166	689	634	423	465	550
Percent U.S. to Foreign:	86%	682%	737%	333%	404%	500%
Percent U.S. Exports of U.S. Production.....	10%	24%	22%	18%	20%	20%
<u>Tallow and Grease</u>						
Foreign.....	469	218	255	309	312	300
United States.....	21	552	785	1,241	1,198	1,300
Percent U.S. to Foreign:	4%	253%	308%	402%	384%	433%
Percent U.S. Exports of U.S. Production.....	2%	23%	31%	43%	42%	43%

1/ Preliminary

2/ Forecast

Table 32.--World wool production annual 1946-54

In million pounds, clean basis

Region	1946	1947	1948	1949	1950	1951	1952	1953	1954
Southern Dominions 1/	880	893	937	1,008	1,016	1,014	1,146	1,124	1,171
South America 2/.....	414	364	342	351	366	348	368	373	341
United States.....	172	155	139	121	121	121	130	135	137
Other Countries.....	677	723	767	773	825	871	882	908	924
World total.....	2,143	2,134	2,185	2,253	2,328	2,354	2,526	2,540	2,573
1/ Australia, New Zealand and Union of South Africa.									
2/ Argentina and Uruguay.									
World Wool Consumption									
Europe 1/.....	1,124	1,336	1,444	1,506	1,594	1,318	1,354	1,561	1,594
United States.....	748	708	706	511	648	494	476	505	390
Other countries.....	388	408	421	421	430	459	507	531	525
World total.....	2,260	2,452	2,571	2,438	2,672	2,271	2,337	2,597	2,509
World Imports of Raw Wool									
United Kingdom.....	331	375	443	412	293	395	476	659	395
Europe (continent) 1/	650	699	631	688	474	500	432	293	432
United States.....	644	399	483	467	362	366	205	119	205
Japan.....	-	2	13	44	73	88	88	66	88
Other countries.....	88	88	75	66	73	59	55	66	55
Total imports.....	1,709	1,565	1,554	1,488	1,687	1,257	1,400	1,609	1,400
1/ Including U.S.S.R.									
2/ Including U.S.S.R.									

Table 33.--Meat and livestock prices in selected countries; 1948-54

Country	1948	1949	1950	1951	1952	1953	1954
:----- 1953 = 100 -----:							
<u>U. S.</u>							
Wholesale prices of meat.....	120	104	112	129	119	100	99
Meat Animals (prices received by farmers)...	121	104	114	137	118	100	99
:-----							
<u>Canada</u>							
Wholesale prices of livestock.....	99	103	116	142	110	100	98
:-----							
<u>France</u>							
Wholesale prices of meat, animals, poultry and rabbit.....	----	81	77	106	110	100	106
:-----							
<u>Germany, Western</u>							
Meat animals (Prices received by producers).....	----	80	98	100	110	100	108
Import prices of meat and meat animals.....	----	----	93	103	106	100	103
:-----							
<u>Denmark</u>							
Average unit values of exports of beef, veal and pig meat.....	88	89	89	100	110	100	97
:-----							
<u>New Zealand</u>							
Meat Export prices.....	74	68	71	77	90	100	108

Table 34.--CATTLE HIDES, CALFSKINS AND KIPSKINS: Production, exports, imports, net exports, apparent domestic supply, domestic use, and Chicago hide and skin prices, annual 1947-55

Year	Production 1/	Exports 2/	Imports 3/	Net Exports Domestic Supply 4/	Apparent Supply 4/	Domestic Use 5/	Hide Prices 6/
----- Million hides and skins -----							
<u>Cattle hides</u>							
1947.....	23.4	1.3	1.3	0	-----	28.8	27.3 28.7
1948.....	20.1	.3	2.5	-.2	-----	26.1	27.7 28.4
1949.....	19.8	1.1	.9	+.2	-----	23.3	22.6 25.3
1950.....	19.6	.4	3.3	-.9	-----	24.4	26.8 29.1
1951.....	18.2	.4	3.2	-.8	-----	22.7	31.0 34.2
1952.....	19.8	1.1	1.2	-.1	-----	22.7	15.0 18.1
1953.....	25.6	2.4	.5	+.9	-----	24.1	14.9 17.8
1954.....	27.1	5.2	.4	+.8	-----	24.1	11.7 14.3
1955 9/....	27.8	5.6	.5	+.1	-----	25.9	12.4 13.5
<u>Calf and kipskins 10/ 11/</u>							
1947.....	15.5	.5	.6	-.1	-----	12.5	78.0 46.7
1948.....	14.0	1.1	1.0	+.1	-----	10.5	60.8 39.3
1949.....	13.0	.9	1.0	-.1	-----	10.2	60.2 44.2
1950.....	12.1	.4	3.2	-.8	-----	10.7	69.7 52.9
1951.....	10.6	.3	2.5	-.2	-----	8.0	63.6 50.8
1952.....	11.1	.8	1.6	-.8	-----	10.0	43.7 33.5
1953.....	14.0	1.6	1.9	-.3	-----	10.0	50.5 34.7
1954.....	15.1	2.6	1.2	+.4	-----	9.4	38.3 25.7
1955 9/....	15.3	3.2	1.4	+.8	-----	11.0	44.4 29.3
<u>Total cattle hides, calfskins and kipskins</u>							
1947.....	38.9	1.8	1.9	-.1	39.0	41.3	-----
1948.....	34.1	1.4	3.5	-.1	36.2	36.6	-----
1949.....	32.8	2.0	1.9	+.1	32.7	33.5	-----
1950.....	31.7	.8	6.5	-.7	37.4	35.0	-----
1951.....	28.8	.7	5.7	-.0	33.8	30.7	-----
1952.....	30.9	1.9	2.8	-.9	31.8	32.7	-----
1953.....	39.6	4.0	2.4	+.6	38.0	34.1	-----
1954.....	42.2	7.8	1.6	+.2	36.0	33.5	-----
1955 9/....	43.1	8.8	1.9	+.9	36.2	36.9	-----

1/ Estimates based on slaughter and death losses. 2/ Imports for consumption.

3/ (+) represents net exports; (-) represents net imports. 4/ Represents production plus imports minus exports. Separate cattle hides, calf and kip skins data omitted. Not comparable to domestic use because cattle hide leather production data includes leather produced from large calf or kip skins. 5/ Leather production in terms of hides and skins. 6/ Average annual prices at Chicago. 7/ Packer heavy native steer hides. 8/ Packer light native cow hides. 9/ Estimates except for price are based on 10 months data. 10/ Packer calf skins, 10-15 pounds. 11/ Packer kip skins, 15-25 pounds.

During 1954, the largest meat exporting countries in order of size were Denmark, Argentina, New Zealand, Australia, Uruguay, the Netherlands, Ireland, France, Canada, United States and Poland. About 70 percent of the exports originated in Denmark, Argentina, New Zealand and Australia.

The high level of exports from the important surplus producing countries indicates the increased competition that United States producers face from foreign sources and the difficulty of expanding export markets for meat.

Fats and Oils 1/

The phenomenal rise of the U. S. as an exporter is perhaps the outstanding postwar development in fats, oils, and oilseeds. The U. S. has changed from a net importer of these products to the major net exporter. Sharply reduced exports of soybeans and oil from China-Manchuria and restricted shipments of peanuts and oil from India came at a time when this country's production was expanding, mainly as a result of a growing soybean industry. Rising population and high levels of business activity abroad have also strengthened foreign outlets. Thus, while the U. S. faces a wide range of competition in the export market for fats and oils, competition has not been a big factor in recent years in determining U. S. export levels.

Table 35.--Fats, oils and oilseeds: foreign and United States production and exports, averages 1935-39 and 1945-49, annual 1950-1955 1/

(1,000 short tons)

Average or Year	Fat or oil equivalent															
	Production						Exports									
	United States		Foreign		Total		U. S. Percent		United States		Foreign		Total		U. S. Percent	
															Total	
1935-39.....	3,435	:	20,560	:	23,995	:	14.3	:	144	:	6,417	:	6,561	:	2.2	
1945-49.....	4,917	:	17,493	:	22,410	:	21.9	:	599	:	3,443	:	4,042	:	14.8	
1950.....	5,873	:	18,950	:	24,823	:	23.7	:	957	:	5,220	:	6,177	:	15.5	
1951.....	6,012	:	21,062	:	27,065	:	22.2	:	1,154	:	5,243	:	6,397	:	18.0	
1952.....	6,031	:	20,576	:	26,607	:	22.7	:	1,053	:	4,817	:	5,870	:	17.9	
1953.....	6,261	:	21,049	:	27,310	:	22.9	:	1,229	:	5,121	:	6,350	:	19.3	
1954.....	6,427	:	21,378	:	27,805	:	23.1	:	1,880	:	5,390	:	7,270	:	25.9	
1955 Est.....	6,600	:	21,565	:	28,165	:	23.4	:	1,981	:	5,229	:	7,210	:	27.4	

1/ Includes 22 major vegetable, animal and marine fat and oil items.

1/ Data for lard, tallow and marine oils are included in tables 35 and 36 although lard and tallow are discussed in the previous section on live-stock and livestock products.

Table 36.--Fats, oils and oilseeds: percent of production exported by the United States and foreign countries, averages 1935-39 and 1945-49, annual 1950-1955 1/

(1,000 short tons)

Average or Year	Fat or oil equivalent					
	United States			Foreign		
	Production	Exports	Percent exported	Production	Exports	Percent exported
1935-39.	3,435	144	4.2	20,560	6,417	31.2
1945-49.	4,917	599	12.2	17,493	3,443	19.7
1950....	5,873	957	16.3	18,950	5,220	27.5
1951....	6,012	1,154	19.1	21,062	5,243	24.9
1952....	6,031	1,053	17.4	20,576	4,817	23.4
1953....	6,261	1,229	19.6	21,049	5,121	24.3
1954....	6,427	1,880	29.2	21,378	5,390	25.2
1955 Est:	6,600	1,981	30.0	21,565	5,229	24.2

1/ Includes 22 major vegetable, animal, and marine fats and oils items.

Compiled from official data.

The U. S. and foreign production and trade situation are summarized in Tables 35 and 36. Because of the many kinds of fats and oils (22 items are included here) all have been combined on a fat or oil equivalent basis for the U. S. and foreign countries. Table 35 shows that the U. S. accounted for 14.3 percent of world production in prewar and has produced an average of around 23 percent of the total since 1950. For exports, the change is more striking; the U. S. share rose from 2.2 percent prewar to more than 27 percent in 1955.

Table 36 shows that 30 percent of U. S. production was exported in 1955 (includes stock reductions) while the position of foreign countries fell from 31.2 percent prewar to 24.2 percent in 1955.

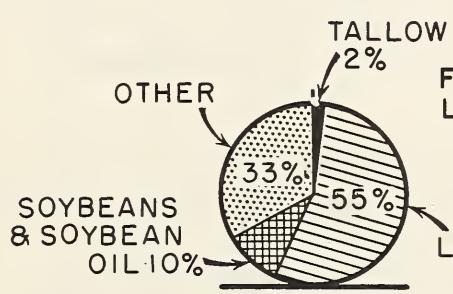
The most important oil crops for export are cotton, soybeans, and flaxseed. In 1954, the U. S. sent abroad four-fifths of the world exports of cottonseed oil, nearly two-thirds of the soybeans and oil, and more than one-third of the flaxseed and linseed oil. U. S. exports increased to higher levels in 1955 and (except for linseed oil) are expected to increase even further in 1956.

Cottonseed and Cottonseed Oil.--Foreign cottonseed production during 1955 is tentatively forecast at an all-time high of 13.4 million short

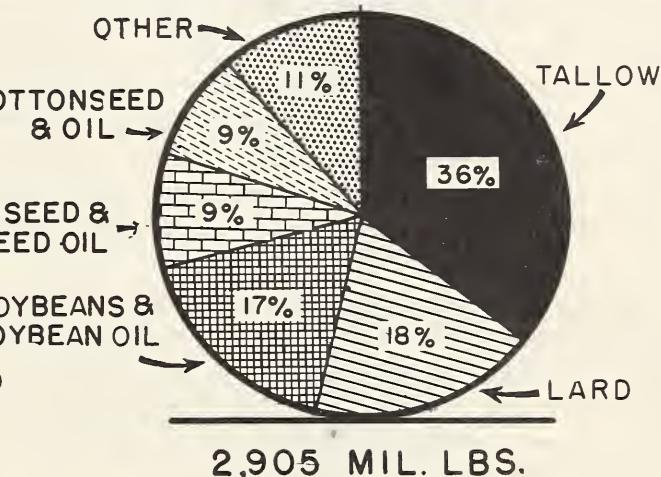
U. S. TRADE IN FATS, OILS AND OIL BEARING MATERIALS*

EXPORTS

AV. 1939-41

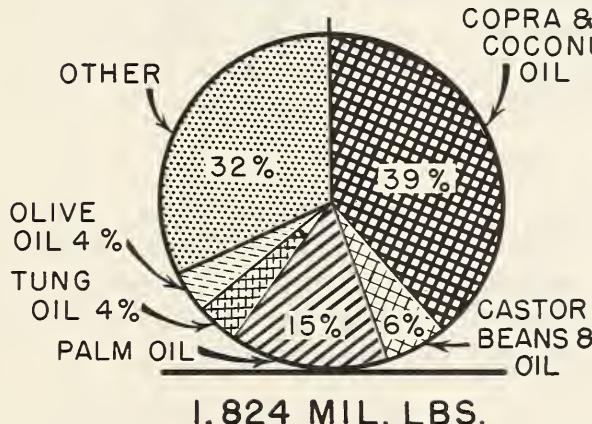


AV. 1952-54

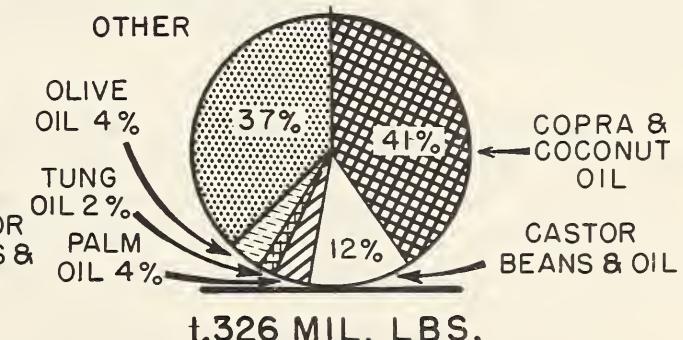


IMPORTS

AV. 1939-41



AV. 1952-54



*OIL EQUIVALENT

U S D A

FAS NEG. 680

tons. The U. S. produced 6 million tons, or 31 percent, of the world total. The U. S. share was 36 percent during 1935-39 and then rose to 41 percent during 1945-49. The story of cotton production outside the U. S. explains the increased foreign production of cottonseed.

Foreign cottonseed oil production has been trending upward for the past several years and reached an estimated 1.3 million tons in 1955. The U. S. accounted for about 40 percent of world production last year.

Under its price support operations, the Commodity Credit Corporation acquired about 800,000 tons of cottonseed oil, crude basis, from the 1951-54 crops and held a peak inventory of more than 600,000 tons in February 1954. Before the end of 1955 all of this oil had been sold, mainly through export channels on a competitive bid basis, with no disruption to the world prices. This operation opened many new foreign markets for U. S. cottonseed oil, and foreign demand has continued strong through private trade sources.

Soybeans and Oil.--U. S. exports of soybeans and soybean oil increased almost tenfold from 5.5 million bushels (bean equivalent basis) annual average in the 1935-39 period to an average of 54.2 million bushels in the 5-year period 1950-54. During this same period total world exports declined from 97.8 million bushels (bean equivalent) to 82.7 million bushels (Table 37).

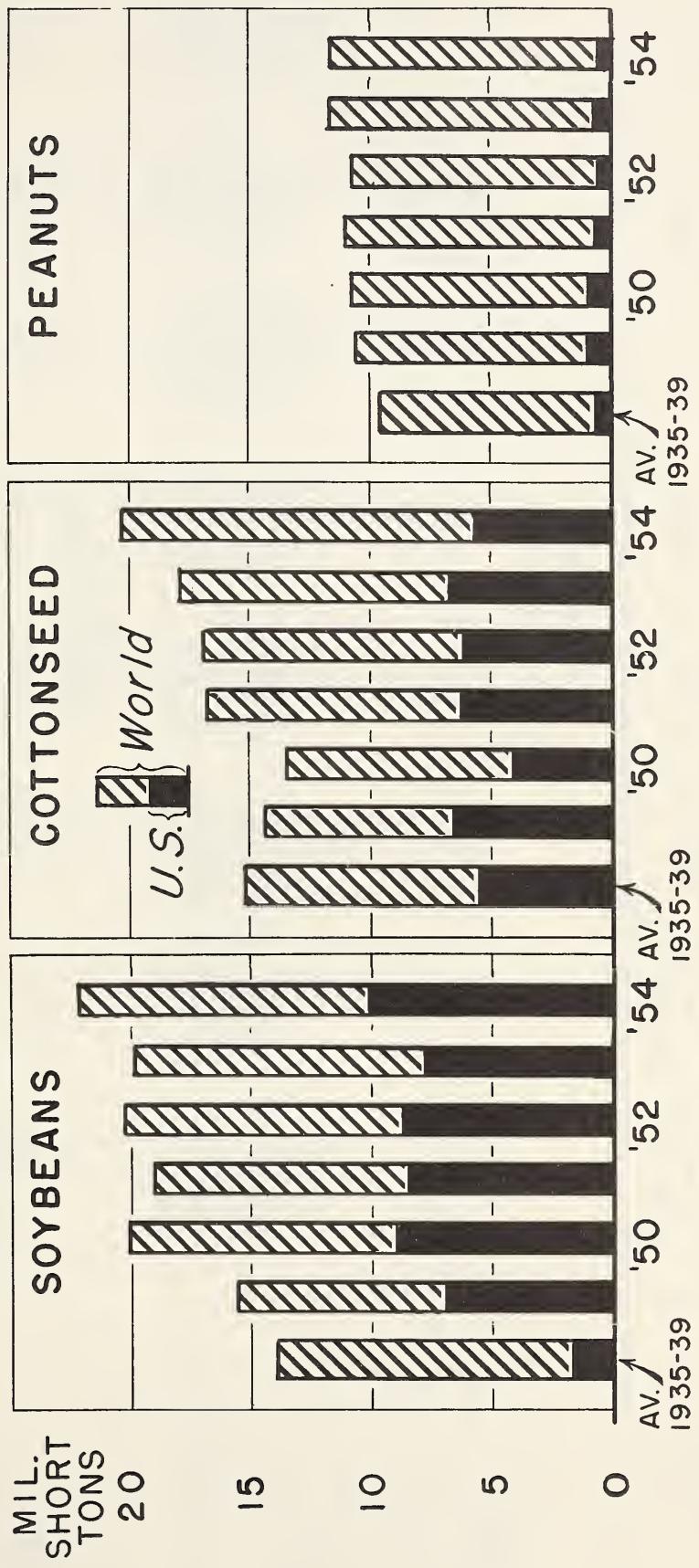
Foreign production in 1955 is estimated at 389 million bushels, highest of the postwar years but 4 percent less than the prewar (1935-39) average. U. S. output in 1955 was almost 375 million bushels or about 7 times larger than prewar. China-Manchuria is the most important foreign source of supply. Output in this area in 1955 is estimated at 330 million bushels or slightly less than the prewar average of 359 million bushels. The U. S. and China-Manchuria account for more than 90 percent of world production.

Postwar exports from China-Manchuria to free world markets, however, have been markedly smaller than in earlier years. Unless there is a big and unexpected increase in Manchurian soybeans, rising world demands due to increasing populations and higher standards of living should continue to provide a growing market for U. S. production (Table 38).

Flaxseed and Linseed Oil.--Foreign flaxseed production increased sharply in 1955 compared with the previous 2 years and totaled 96 million bushels. However, this production was well below the prewar foreign average of 123 million bushels. U. S. production, which averaged only 11 million bushels in prewar years, rose to about 41 million bushels in 1955. The U. S. has been the world's leading producer since 1947. Argentine production in 1955 was estimated at less than one-third of prewar years.

U. S. exports accounted for 37 percent of world exports in the 1953-54 and 1954-55 fiscal years.

WORLD AND U.S. PRODUCTION OF SOYBEANS, COTTONSEED AND PEANUTS



U.S.D.A.

FAS NEG. 627

Table 37.--COTTONSEED, SOYBEANS, FLAXSEED: foreign and United States production averages 1935-39 and 1945-49, annual 1950-55

Country	Average	1935-39	1945-49	1950	1951	1952	1953	1954 1/	1955 1/
COTTONSEED									
<u>1,000 short tons</u>									
Foreign:									
Mexico	160	277	552	611	600	581	854	854	984
China 2/	1,593	1,086	1,361	1,680	1,624	1,792	1,736	1,736	1,78
India	2/ 1,290	1,290	1,523	1,764	1,683	2,089	2,380	2,380	2,352
Pakistan	3/ 522	625	683	778	620	663	714	714	
Brazil	935	649	792	936	749	703	782	782	
Egypt	1,007	778	937	890	1,093	780	853	853	964
Others	3,062	2,465	3,585	4,095	4,203	5,152	5,518	5,518	5,681
Total	9,741	7,067	9,375	10,659	10,730	11,717	12,786	12,786	13,407
United States	5,554	4,873	4,105	6,286	6,190	6,748	5,709	5,709	6,043
World total	15,295	11,940	13,480	16,945	16,920	18,465	18,495	18,495	19,450
SOYBEANS									
<u>1,000 bushels</u>									
Foreign:									
Canada	5/ 207	1,491	3,323	3,843	4,128	4,406	4,953	4,953	5,650
China 2/	358,960	306,723	298,530	304,050	325,000	332,000	320,000	320,000	330,000
Indonesia	9,731	6/ 9,736	9,370	9,921	10,343	10,839	14,567	14,567	15,000
Japan	12,338	7,432	16,421	17,430	19,161	15,777	13,816	13,816	18,200
Brazil	446	1,310	2,265	2,862	3,242	4,042	3,674	3,674	
Others	26,317	16,827	16,087	15,629	15,409	16,458	17,182	17,182	16,735
Total	407,523	342,655	345,041	353,138	376,203	382,722	374,560	374,560	389,259
United States	56,167	208,885	299,279	282,477	298,052	268,528	341,565	341,565	371,276
World total	463,720	551,540	644,320	635,615	674,955	651,250	716,125	716,125	760,535

(See footnotes at end of table)

Table 37.--COTTONSEED, SOYBEANS, FLAXSEED: foreign and United States production averages 1935-39 and 1945-49, annual 1950-55--continued

Country	Average		1950		1951		1952		1953		1954		1955 1/	
	1935-39	1945-49	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
<u>FLAXSEED</u>														
<u>1,000 bushels</u>														
<u>Foreign:</u>														
Canada	1,508	9,252	4,686	9,897	12,261	9,912	11,238	21,498						
Mexico	111	1,310	2,087	2,354	1,417	1,220	1,591	394						
India	3/18,096	15,312	16,440	14,440	12,640	14,360	14,960	15,520						
Argentina	59,571	31,557	22,015	12,338	23,000	16,141	18,991	16,000						
Uruguay	3,894	3,900	3,685	5,575	4,274	2,540	2,479	3,900						
Others	39,329	28,026	45,026	41,565	38,599	34,909	31,743	38,725						
Total	122,509	89,357	93,939	86,169	92,191	79,082	80,002	96,037						
United States	10,991	39,108	40,236	34,696	30,174	36,668	40,808	40,638						
World total	133,500	128,465	134,175	120,865	122,365	115,750	120,810	136,675						

1/ Preliminary.

2/ Including Manchuria.

3/ 1935-39 figure for India includes Pakistan.

4/ Includes estimates for the above countries for which data are not available.

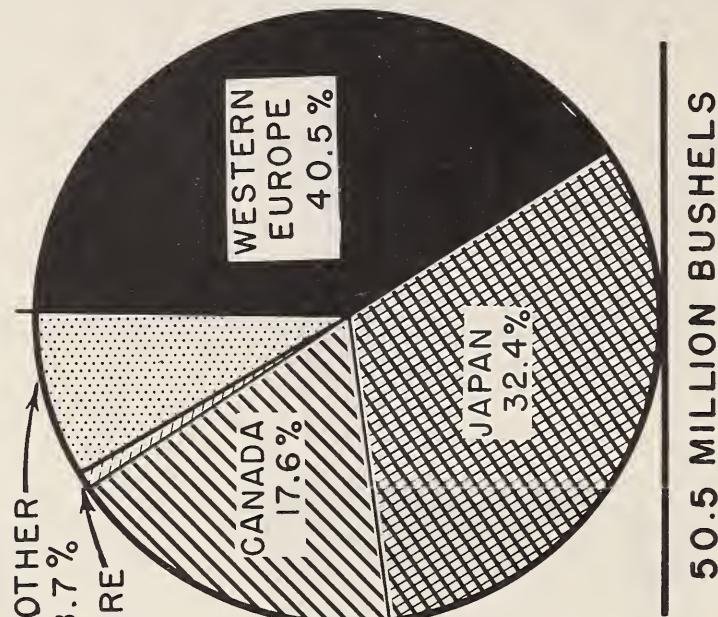
5/ Average of less than 5 years.

6/ One year only.

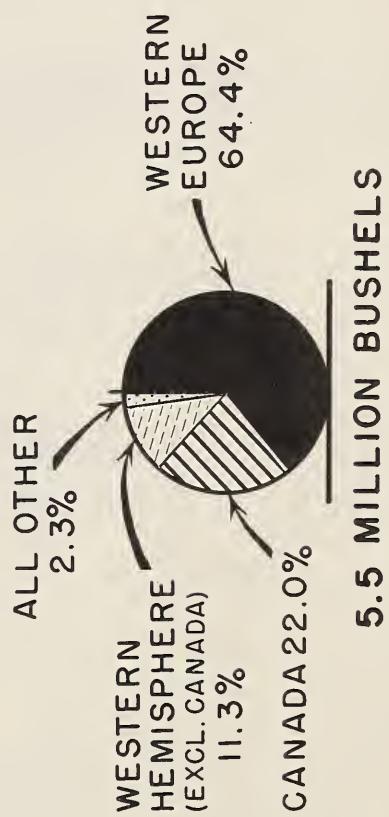
UNITED STATES EXPORTS OF SOYBEANS



1954



AVERAGE
1935-39



U. S. D. A.

SOYBEANS AND OIL AS BEAN EQUIVALENT

FAS NEG. 626

Table 38.--Soybeans: United States and world exports, average 1935-39 and 1950-54 (Soybeans and soybean oil, bean equivalent basis)

	: Average 1935-39 :	Average 1950-54
<u>In thousand bushels</u>		
United States to:		
Europe.....	3,589	29,728
Japan.....	-	11,760
Other countries.....	1,922	12,735
Total.....	51,511	54,223
World total.....	97,780	82,689

Prices.--U. S. prices for oils and oilseeds have been generally competitive in world markets and attractive prices have been an important consideration in achieving expanded exports. U. S. soybeans have been underselling Manchurian supplies in Japan. Cottonseed oil and soybean oil are now moving readily into world markets at U. S. market prices.

Fruits and Vegetables

Fresh Deciduous Fruits

Exports of U. S. fresh apples, pears, grapes, and plums accounted for 11 percent of the total sales of these fruits prior to the war, and only about 5 percent of their total sales in recent years.

The U. S. share of total world production and world trade in fresh deciduous fruits, is less than prewar. Data illustrating this, and the decline in exports to Europe, the area which took the bulk of the prewar U. S. exports, are shown in Table 39.

Table 39.--Fresh deciduous fruit, United States share of world production and trade, and percent of United States sales exported, by principal destinations, average 1934-38, and annually 1952-54 1/

Crop Year	United States		Percent of United States sales exported			
	share of world		Total	Europe	Canada	Other
	Production	Trade				
- - - - -Percent- - - - -						
Av. 1934-38...	33	:	27	10.9	8.5	1.0
1952.....	24	:	9	4.3	.1	2.4
1953.....	24	:	8	4.4	.3	2.6
1954.....	24	:	10	5.1	.7	3.0

1/ Apples, pears, grapes, and plums.

Deciduous fruit production is important throughout Europe, and in Canada, Argentina, Australia, South Africa, and Japan. Foreign production of

deciduous fruit has increased sharply in recent years. In the case of table apples and pears, foreign production--especially in Europe--has increased, while U. S. production has declined or remained constant since the war, as shown in Table 40.

Table 40.--Production of table apples and pears in foreign countries and the United States average 1934-38 and annually 1952-54

Crop year	Foreign production				Total	United States production	World total			
	Southern Hemisphere		Other	1/						
	Western	Southern	Other							
: - - - - Million bushels - - - -										
<u>Table apples</u>										
Av. 1934-38....	126	17	29		172	127	299			
1952.....	256	29	46		331	92	423			
1953.....	233	30	45		308	93	401			
1954.....	266	36	44		346	104	450			
<u>Table pears</u>										
Av. 1934-38....	43	6	12		61	29	90			
1952.....	96	10	8		114	31	145			
1953.....	88	9	11		108	29	137			
1954.....	77	11	12		100	30	130			

1/ Includes Argentina, Chile, Union of South Africa, Australia, and New Zealand.

2/ Excluding Eastern countries.

U. S. fresh deciduous fruits can compete in European markets because of their superior quality and packing, although their delivered costs are higher than those of foreign competitors. U. S. market opportunities are best following the European harvest season and prior to the arrival of Southern Hemisphere fruit in early spring. European growers are improving their varieties and packs and lengthening their marketing season.

European countries have restricted imports of dollar deciduous fruits to protect increased domestic production, to favor imports from colonial sources or bilateral treaty sources, or to conserve dollars. Much more of the European apple and pear trade originates in Europe now than before the war, as shown in Table 41.

Citrus Fruits

U. S. fresh citrus fruits have increased their share of the total world trade with Canada which is the largest U. S. export market, as shown in Table 42. Similarly, exports of U. S. single strength and concentrated citrus juices have increased. U. S. canned grapefruit segments,

APPLES AND PEARS: PRODUCTION IS INCREASING IN EUROPE

Apple and Pear Production, by Continents - Av. 1935-39 and 1945-49, and 1951-54

MIL. BUSHELS

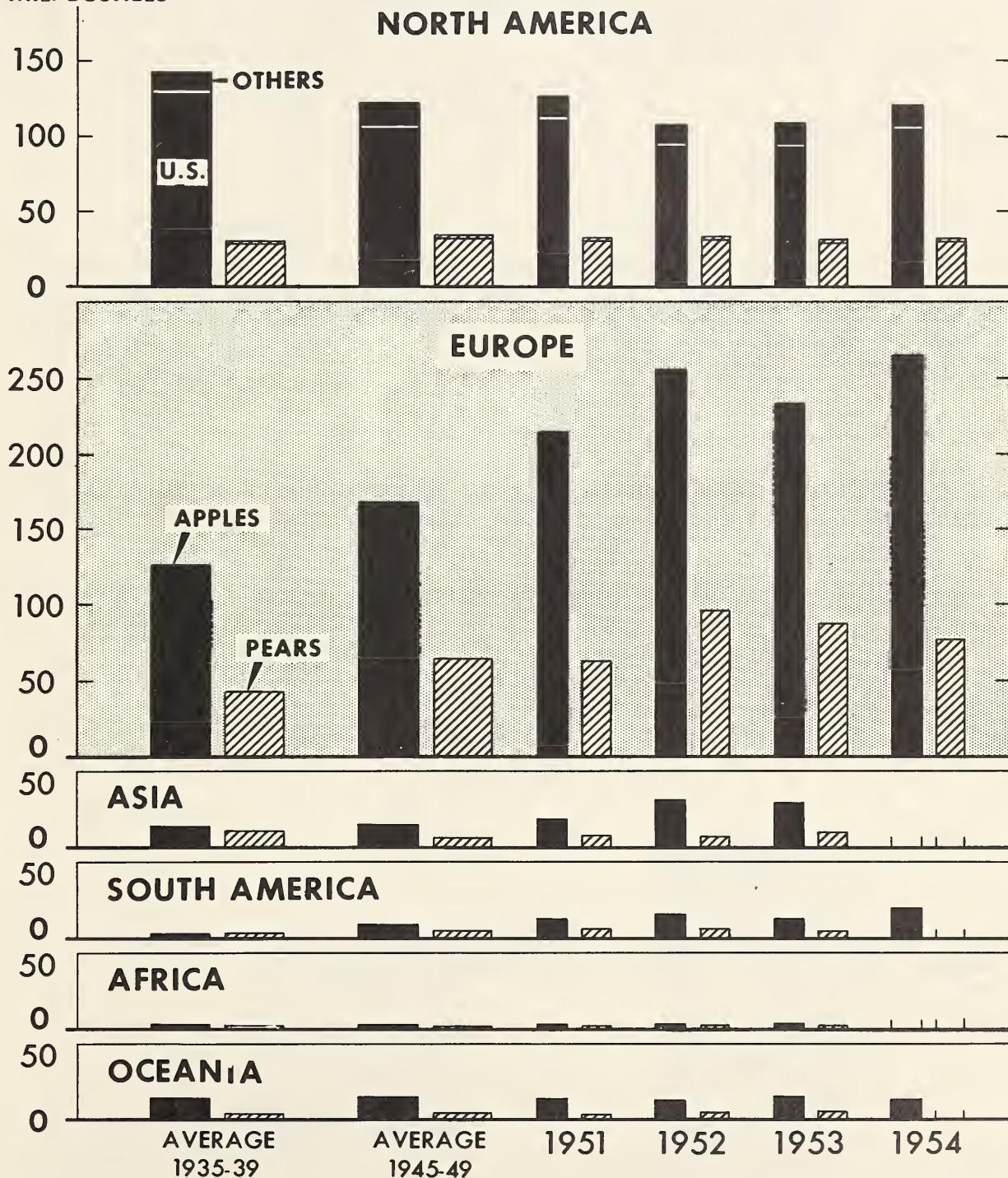


Table 41.--Percent of Western Europe imports of fresh apples and pears originating from specified areas, average 1934-38, annually 1952-54

Origin	Apples			Pears				
	Average	1952	1953	1954	Average	1952	1953	1954
	1934-38				1934-38			
- - - - - Percent - - - - -								
United States.....	30	8	*	*	39	2	1	2
Europe.....	23	61	76	68	31	73	73	71
Southern Hemisphere.....	20	26	22	32	26	24	26	27
Other.....	27	5	2	*	4	1	*	*
Total...:	100	100	100	100	100	100	100	100

*Less than .5 percent.

Table 42.--Citrus fruits--United States share of world production and trade, and percent of United States sales exported, by principal destinations, average 1934-38, and annually 1952-54 1/

Crop Year	United States share of world		Percent of United States sales exported 3/			
	Production 2/	Trade 3/	Total	Europe	Canada	Other
	2/	3/				
- - - - - Percent - - - - -						
Av. 1934-38....	40	12	8.2	3.2	4.5	.5
1952.....	43	16	12.3	4.1	7.3	.9
1953.....	45	17	12.4	4.1	7.6	.7
1954.....	45	17	12.4	4.4	7.2	.8

1/ Oranges, grapefruit, lemons, and limes.

2/ Total production.

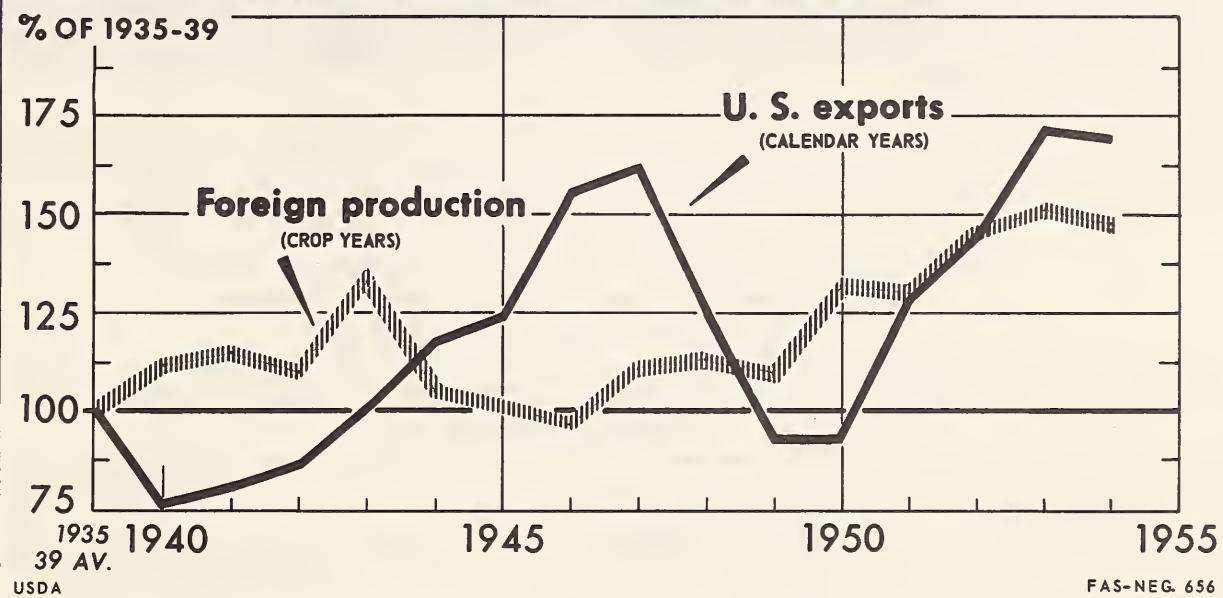
3/ Fresh fruit only

however, which before the war supplied the entire United Kingdom market, have until recently been excluded from that market.

The Mediterranean area--especially Spain, Italy, Israel, and Algeria--is the principal foreign citrus-producing area, but production is also

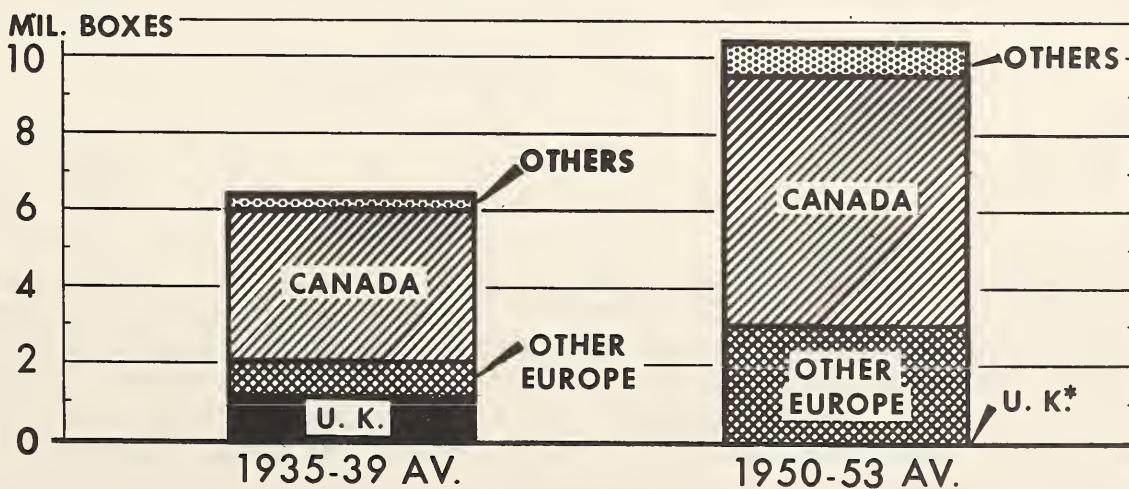
FRESH CITRUS: GREATER U. S. EXPORTS DESPITE INCREASED FOREIGN PRODUCTION

Indexes of U. S. Exports and Foreign Production of Fresh Citrus Fruit



U. S. FRESH CITRUS FRUIT: CANADIAN AND CONTINENTAL EUROPEAN MARKETS GROW

U. S. Exports of Fresh Citrus Fruit



important in Mexico, Brazil, Argentina, South Africa, and Japan. Production of oranges is increasing rapidly, both at home and abroad, as is indicated in Table 43.

U. S. fresh oranges are not competitive pricewise in Europe in the winter when Mediterranean supplies are heavy. Most U. S. orange exports occur during the spring and summer months, in competition with South Africa and Brazil.

Table 43.--Production of citrus fruit in foreign countries and the United States average 1935-39 and annually 1952-54

Crop year	Foreign production					United States production	World total
	Mediter- ranean	Southern Hemis- phere	Other	Total			
	1/	2/					
<u>Oranges, and tangerines</u>							
Av. 1935-39.....	60	62	24	146	67	213	
1952.....	106	72	54	232	110	342	
1953.....	114	74	41	229	125	354	
1954.....	101	77	49	227	131	358	
<u>Grapefruit</u>							
Av. 1935-39.....	2	1	-	3	32	35	
1952.....	2	1	3	6	38	44	
1953.....	2	2	2	6	48	54	
1954.....	2	2	2	6	42	48	
<u>Lemons</u>							
Av. 1935-39.....	12	1	-	13	10	23	
1952.....	14	3	-	17	12	29	
1953.....	14	3	-	17	16	33	
1954.....	13	3	-	16	14	30	

1/ Includes the following countries for oranges, tangerines, and lemons: Greece, Italy, Spain, Cyprus, Iran (oranges only), Lebanon, Israel, Syria, Turkey, Algeria, Egypt, French Morocco and Tunisia; for grapefruit: Cyprus, Israel, Algeria, and French Morocco.

2/ Includes: Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru, Surinam, Uruguay, Union of South Africa, Australia, and New Zealand; for lemons and grapefruit: Argentina, Uruguay, and Chile (lemons only), Surinam, Union of South Africa, Australia and New Zealand.

3/ Excluding Eastern countries.

Postwar exports of U. S. fresh and canned grapefruit to the United Kingdom--our major offshore outlet--have been sharply curtailed by this area, mainly to protect colonial suppliers, particularly the Caribbean area. U. S. grapefruit, especially canned, is competitive in price with foreign supplies.

U. S. lemons are competitive in world markets and are well received. Exports are increasing to most countries except the United Kingdom, where trade restrictions limit entry.

Foreign citrus competitors often use direct or indirect subsidies and bilateral treaties to maintain their share of the increasing world trade. However, U. S. orange and grapefruit exports also have been subsidized. European sources of supply of citrus are shown in Table 44.

Table 44.--Percent of Western European imports of citrus fruit, originating from specified areas, average 1934-38, and annually 1952-54

Origin	Average				Average 1934-38	Average				
	1952	1953	1954	1952		1952	1953	1954		
:										
:										
- - - - - Percent - - - - -										
:										
<u>Fresh oranges</u>					<u>Fresh lemons</u>					
:										
United States..	5	4	6	5	3	4	5	9		
Mediterranean..	77	88	84	84	94	92	91	88		
Southern Hemisphere....	14	7	9	10	1	2	2	2		
Other.....	4	1	1	1	2	2	2	1		
Total....	100	100	100	100	100	100	100	100		
:										
<u>Fresh grapefruit</u>					<u>Canned grapefruit 2/</u>					
:										
United States..	15	7	6	10	99	-	-	21		
Mediterranean..	48	53	61	62	-	3	-	15		
Southern Hemisphere....	20	14	15	16	-	22	4	11		
Other.....	17	26	18	12	1	75	96	53		
Total....	100	100	100	100	100	100	100	100		

1/ Average 1936-39 for canned grapefruit.

2/ Canned grapefruit segments into United Kingdom only.

Canned Deciduous Fruits

The U. S. produces most of the world's canned deciduous fruit. Production in both this country and in Australia and South Africa--principal U. S. competitors--is increasing, as shown in Table 45.

Table 45.--Production of canned fruits in foreign countries and the United States, average 1934-38, and annually 1952-54 1/

Crop year	Foreign production				United States production	World total
	Australia	South Africa	Malaya	Other		
: - - - Million cases equivalent 24 No. 2-1/2 cans - - -						
Av. 1934-38...:	3	:	*	:	3	5
1952.....:	6	:	2	:	7	8
1953.....:	5	:	2	:	9	8
1954.....:	7	:	3	:	12	9

* Less than 500,000 cases.

1/ Excluding citrus fruit. 2/ Pineapple only.

Prior to the war, England provided an important outlet for U. S. canned fruits, and this country supplied the bulk of the United Kingdom supplies, as shown in Tables 46 and 47. Since the war, United Kingdom import restrictions have excluded imports from the U. S. until recently. U. S. canned fruits are superior in quality and lower in price than foreign competitive canned fruits.

Dried Fruits

The U. S. produces about 2/5 of the world's dried fruit, and currently ships around 1/4 of the total exported to Europe, as shown in Table 48. Foreign competitors are mainly located in the Mediterranean and Southern Hemisphere areas, as will be seen for raisins and prunes in Table 49. Foreign raisin production has increased substantially.

U. S. prunes command a premium in world markets because of their superior size and quality. Low-priced Yugoslavian prunes provide the principal foreign competition. Both domestic and foreign demand for prunes, however, is declining.

U. S. natural Thompson raisins, although preferred in Scandinavian countries, encounter serious competition in other European countries from Australian, Turkish, or Greek Sultanas, which receive premiums or

Table 46.--Canned fruit-United States share of world production and trade, and percent of United States sales exported, by principal destinations, average 1934-38, and annually 1952-54 1/

Crop year	United States share of world		Percent of United States sales exported <u>2/</u>			
	Production	Trade	Total	Europe	Canada	Other
- - - - - Percent - - - - -						
Av. 1934-38..:	78	44	17.2	16.3	.1	.8
1952.....:	76	22	3.5	.7	1.5	1.3
1953.....:	76	18	4.2	1.7	1.4	1.1
1954.....:	72	23	4.4	1.5	1.5	1.2

1/ Not including citrus fruit.

2/ Not including pineapple.

Table 47.--Percent of United Kingdom imports of canned fruit originating from specified areas, annually 1938 and 1952-54 1/

Origin	1938	1952	1953	1954	Percent	
					1938	1952
- - - - - Percent - - - - -						
United States.....:	50	-	-	6		
Australia.....:	17	52	45	53		
South Africa.....:	1	15	31	24		
Malaya.....:	25	7	13	10		
Other.....:	7	26	11	7		
Total.....:	100	100	100	100		

1/ Excluding canned citrus fruit.

Table 48.--Dried fruits, United States share of world production and trade, and percent of United States sales exported, by principal destinations, average 1934-38, and annually 1952-54 1/

Crop year	United States share of world		Percent of United States sales exported			
	Production	Trade	Total	Europe	Canada	Other
- - - - - Percent - - - - -						
Av. 1934-38..:	48	:	36	:	36.1	:
		:		:	30.1	:
1952.....:	48	:	32	:	33.3	:
		:		:	25.3	:
1953.....:	40	:	25	:	26.2	:
		:		:	18.8	:
1954.....:	39	:	22	:	22.8	:
		:		:	14.4	:
		:		:	4.8	:
		:		:		3.6

1/ Apples, apricots, peaches, pears, prunes, and raisins.

Table 49.--Production of raisins and dried prunes in foreign countries and the United States, average 1934-38, and annually 1952-54

Crop year	Foreign production			United States production	World total	
	Mediterranean	Southern Hemisphere	Total			
	1/	2/				
- - - - - Thousand short tons - - - - -						
<u>Raisins</u>						
Av. 1934-38..:	155	:	76	:	231	:
1952.....:	176	:	82	:	258	:
1953.....:	203	:	107	:	310	:
1954.....:	198	:	105	:	303	:
		:		:		:
<u>Dried prunes</u>						
Av. 1934-38..:	24	:	7	:	31	:
1952.....:	5	:	16	:	21	:
1953.....:	60	:	16	:	76	:
1954.....:	16	:	12	:	28	:

1/ For raisins, includes the following countries:

Cyprus, Greece, Iran, Spain, and Turkey.

For prunes: France and Yugoslavia.

2/ For raisins, includes the following countries:

Argentina, Australia, Chile, and Union of South Africa.

For prunes: Australia, Chile, and the Union of South Africa.

low priced Iranian raisins. Both U. S. and some foreign raisins have been exported at prices that are lower than those in their own domestic markets.

Sources of European imports of raisins and prunes are shown in Table 50.

Table 50.--Percent of Western European imports of raisins and prunes, originating from specified areas, average 1934-38, annually 1952-54

Origin	Raisins *			Dried prunes		
	Average 1934-38			Average 1934-38		
	1952	1953	1954	1952	1953	1954
- - - - Percent - - - -						
United States	15	23	22	14	77	64
Mediterranean	68	61	54	68	20	29
Southern Hemisphere	17	16	24	18	3	7
Total	100	100	100	100	100	100

* Includes currants.

Pulses

About 1/7 of U. S. dry bean production is exported. Three-quarters of these dry bean exports are shipped to Cuba and Latin America, and the balance to Western Europe. U. S. dry beans usually are of higher quality than foreign competitive beans. Most U. S. exports currently are made from CCC stocks at less than domestic prices.

Both U. S. and foreign competitors have increased production since prewar, as shown in Table 51. Africa and the U. S. have largely supplanted Eastern Europe as suppliers of dry beans to Western Europe.

The U. S. and the U. K. are the largest dry pea producers in the western world. Although U. K. production has increased sharply, total Western European dry pea production is about the same level as prewar, as shown in Table 52.

U. S. dry peas are competitive on world markets, and normally about 1/5 of the crop is exported, mostly to Latin America. The rest of the U. S. exports supplement local supplies in Western Europe.

Table 51.--World production of dry beans, by selected areas, average 1935-39, and annually 1952-54

Crop year	Principal exporting areas			Non-exporting areas		World total
	United States	Africa	Chile	Brazil	Other	
	
- - - - - Million bags - - - - -						
Av. 1935-39.....	14.5	2.0	1.7	18.2	17.7	54.1
1952.....	16.7	2.9	1.9	25.4	14.2	61.1
1953.....	17.5	2.8	1.8	30.6	17.1	69.8
1954.....	18.9	3.0	1.8	35.6	16.2	75.5

1/ Excluding Eastern countries. Not included are about 25 million bags in China, 9 million bags in Eastern Europe, and unreported production in Asia.

Table 52.--Production of dry edible peas in foreign countries and the United States, average 1935-39, annually 1952-54

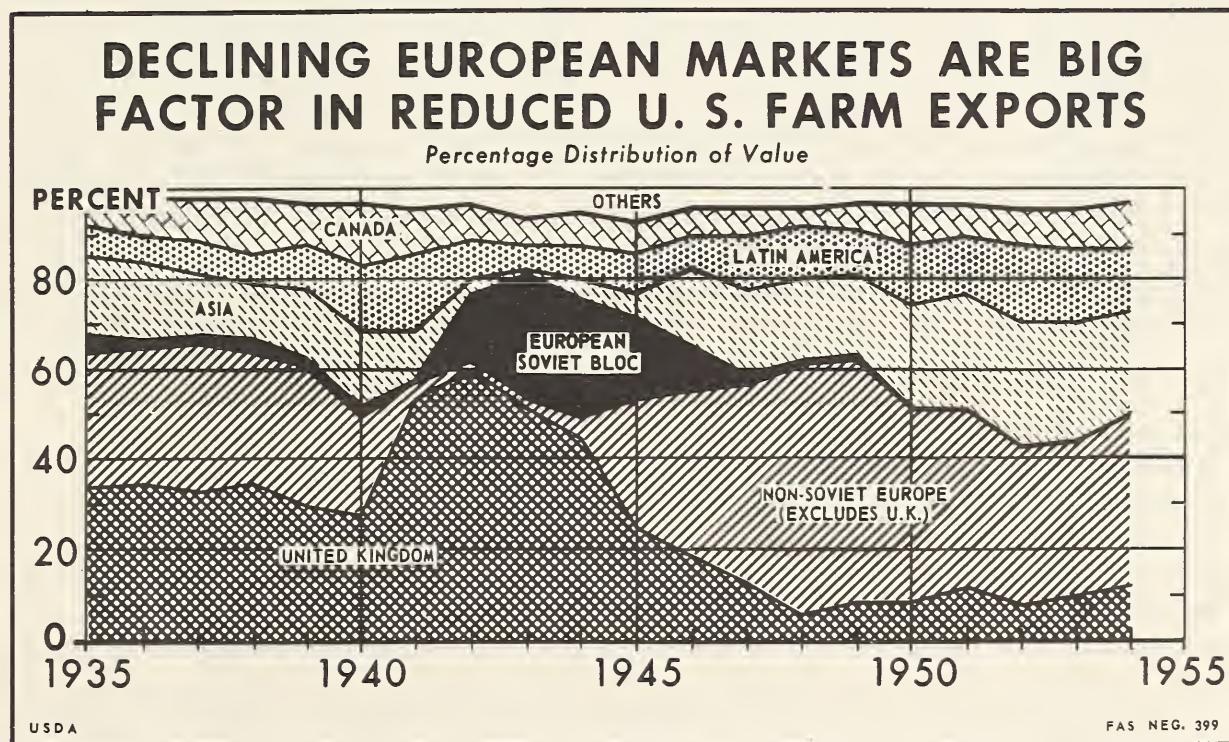
Crop year	Foreign production				United States production	World total
	Western Europe	Africa	Other	Total		
		
- - - - - Million bags - - - - -						
Av. 1935-39.....	6.6	.6	3.1	10.3	2.6	12.9
1952.....	7.2	1.1	4.1	12.4	2.6	13.0
1953.....	6.8	.7	2.3	9.8	3.3	13.1
1954.....	6.6	1.3	2.9	10.8	3.5	14.3

1/ Does not include large production in China and Eastern Europe, formerly reported at about 70 million bags in total.

THE SITUATION BY AREAS

Western Europe

Western Europe is the leading market for U. S. agricultural products, 50 percent of the total exports going to that area in 1954. Competition which the U. S. products face in Western Europe from rising domestic output in these countries as well as from imports from other areas is necessarily formidable. In addition, several European countries are exporters of agricultural products. France has become a large exporter of wheat which competes with U.S. soft red winter wheat for markets in other countries. Sweden also has become a wheat exporter in years of large crops. Traditional exports of fruits, notably citrus fruit, from the southern countries of Europe compete with U. S. fruit in the northern countries. Finally, Denmark, and the Netherlands have long been exporters of live-stock products. Competition, in general, is made more difficult for dollar products by the OEEC trade liberalization which implies removal of quantitative restrictions on imports from member countries, but not necessarily on imports from the U. S.



Following the decline in agricultural production toward and after the end of the war, great efforts were made in most countries to raise output. By 1955, net agricultural production in Western Europe increased to one-fourth above the prewar level, or to 10 percent above on a per capita basis. West Europe's relative self-sufficiency in food and feed

Table 53.--West Europe - Index of agricultural production 1/
1953-54 to 1955-56 (prewar equals 100)

Country	Total			Per Capita		
	1953-54	1954-55 2/	1955-56 3/	1953-54	1954-55 2/	1955-56 3/
Denmark.....	130	130	131	110	109	109
France.....	124	130	130	117	122	121
West Germany.....	120	122	124	96	97	97
Italy.....	132	125	129	118	111	114
Netherlands.....	135	131	132	109	104	104
Spain.....	100	105	98	85	89	82
United Kingdom.....	157	160	160	146	148	148
Total - West Europe:	125	126	127	110	110	110

1/ Excluding food produced from imported feed.

2/ Preliminary.

3/ Forecast.

thus rose from about two-thirds in prewar (1935-39) to about three-fourths now. Because of the expansion in production of synthetic fibers, increased production of cotton in dependent African and other overseas territories and to a limited extent the development of cotton-growing in Southern Europe, Western Europe is now less dependent on the U. S. in meeting its fiber requirements. Similarly, increased domestic output of tobacco in these countries as well as in their dependent overseas territories and other exporting countries has reduced Western Europe's reliance on U. S. supplies. Further expansion of food output is not likely to proceed at a rate exceeding the growth of population and per capita demand, but even if it should, Europe will, of course, remain a large-scale importer of foodstuffs, feedstuffs, and fibers.

While the Western European countries have been declining in importance as a market for U. S. agricultural products in the past 30 years, they are likely to continue to be dependent on the U. S. for a large part of their agricultural supplies. In recent years, about 50 percent of total U. S. exports of agricultural products were shipped to Western Europe compared with 72 percent in the 1920's and 68 percent in the 1935-39 period. Economic conditions in the area are an important factor in determining the extent of demand for farm products. During 1955, economic conditions continued to develop favorably, although inflationary situations have emerged in a number of countries due to over-full employment, with over-investment, wage and price increases, and pressure of demand for consumer goods. As a result, curbs to dampen down investment expansion and to control domestic expenditure have been applied. It is notable that these measures were mainly confined to tighter credit policies and did not, in general, include increases in the barriers to international trade. The U. K., West Germany, Belgium, Austria, Sweden, Norway, and Denmark have all acted to restrain internal demand so as to avoid imbalance in domestic and foreign accounts.

The great expansion in Europe's economic activity has led to considerable increases in dollar expenditure on imports of basic materials, such as coal and steel. Except for less favorable situations in the U. K. and in Denmark, the position of the foreign currency reserves remained favorable and gold and dollar holdings showed further gains during 1955, especially in France and West Germany. The outlook is for continued economic growth in 1956 though expansion may have to be curbed to control inflationary developments and imbalance in foreign accounts. None of these general economic factors, however, are likely to induce significant changes in Western Europe's import buying power or competitive strength in 1956, so far as agricultural products are concerned. They are most likely to be neutral in this respect and to leave free rein to the specific commodity factors of domestic supply, price, quality, and commercial convenience. These general factors will also determine policies with respect to stocks; but it should be noted that the general economic situation as such will not favor further accumulations.

Next to the United Kingdom, which in 1954-55 took \$380 million of U. S. farm products, the Benelux customs union was the most important European importer, with U. S. farm exports to that area exceeding \$335 million - one-third more than such exports to West Germany, whose population is $2\frac{1}{2}$ times that of the Benelux countries. Benelux is the area with the most nearly complete liberalization of dollar imports. (A substantial share of these, it is true, were for re-export, such as much of the Netherlands imports of fats and oils.) West Germany, with \$245 million, was next with wheat, cotton, and tobacco of overwhelming importance; the latter two products were liberalized for imports from the dollar area in early 1954. France took \$104 million worth of U. S. agricultural products, mostly cotton, which was obtained in large part with U. S. aid dollars. There is no dollar liberalization for any agricultural product in France.

Italy, Yugoslavia, Spain, and Greece imported \$330 million worth of U. S. farm products in 1954 - mostly under special assistance and export programs. Of these countries, only Greece has liberalized dollar imports of farm products.

On a per-capita basis, the Benelux area, even with ample allowance for the Netherlands re-export trade, is by far the largest consumer of U. S. farm products in Western Europe - between \$10 and \$15 per head per year. The U. K., Switzerland, and Norway, with about \$8 each, are next in importance. Germany, Denmark, and Sweden, with between \$4 and \$5 each, follow. The small countries, Netherlands, Belgium, Switzerland, and Sweden, are outstanding as importers of U. S. fruits. U. S. tobacco is also very important in these countries, as well as in Denmark. The U. K. is our largest tobacco customer; on the Continent, it is Germany. U. S. cotton was important in all countries, especially the U. K., France, Germany, and Italy.

Denmark and Finland are the only countries that export more to the United States than they import from the United States. Switzerland - with its stern bilateralism, and remaining aloof from GATT - comes close to balancing its trade with the U. S. All other countries import much more from the U. S. than they export to it - ranging from 20 percent more (Norway) to 160 percent more (Netherlands). This is an indication of the extent to which U. S. agriculture, in its quest for foreign markets, is dependent on general foreign economic policies of the U. S.

Soviet Bloc

In the past few years there has been a definite decline in competition from the Soviet Bloc area for the world market in agricultural products, and serious competition in most commodities is not in prospect.

Prior to the First World War this area was an important competitor of the U. S. on the World Market, particularly in wheat and other grains. The competition from many of these countries lessened greatly during the

interwar years as the subdivision of land holdings was followed by a decline in agricultural production. Collectivization in Soviet Russia in the 1930's had a further adverse affect on agricultural production and, while there has been some recovery in production in postwar years, it has not kept up with the increased requirements of a growing population and the industrialization program. Since World War II a similar situation has extended to the other countries of Eastern Europe that came under Soviet domination.

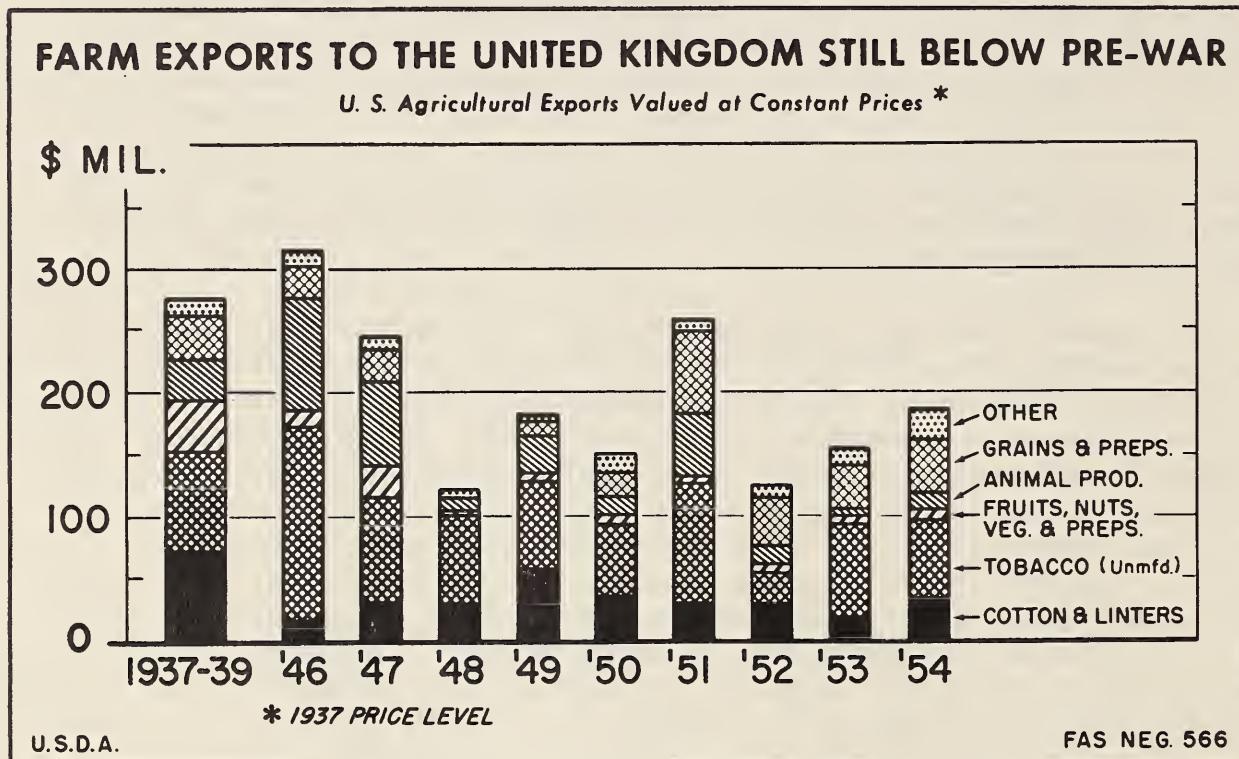
The adverse effects of disruptive Communist policies have been aggravated by unfavorable weather conditions in a number of regions during the past three years. This unfavorable agricultural picture coincided with the new internal political situation created by Stalin's death. Some concessions to the people, aimed at improving the standard of living and national diets, had to be made by Stalin's successors. The rapid growth of population, especially in urban centers, made the difficult food supply problem more serious. As a consequence, during the past few years the Soviet Bloc has been importing increased quantities of fats, meats, grains, and sugar. However, cotton production in the Soviet Union has increased greatly in recent years, and in addition to supplying considerable quantities to Soviet Bloc countries intermittently, Russia has been exporting small quantities to the Free World, especially Western Europe.

Some improvement in the agricultural situation has occurred because of better weather conditions in 1955. This may lessen imports and increase exports somewhat. The Soviet Union has embarked on an ambitious program of increased expansion on marginal lands beyond the Urals, which in years of good weather may provide sizable grain surpluses for export. In general, it should be kept in mind that exports and imports in the Soviet Bloc countries depend upon government policy decisions. If, therefore, the governments should envisage economic or political advantages in exporting grain or other commodities, they may make the supplies available, even at the expense of domestic needs. Likewise, the decisions to import depend not only on national needs, but also on the government policy line at a particular period.

The British Commonwealth

While member countries of the British Commonwealth rank among the leading foreign outlets for U. S. farm products, three factors made it difficult to sell these agricultural products in that market. The first, which applies to such commodities as wheat, meats and dairy products, is the competition from efficient production in one or more of the dominions. The second is the widespread use of production incentives, including subsidies, without limitation on acreage or volume of production. The third is the use of a coordinated system of trade policies (especially lower import duties on products originating with the Commonwealth) to discourage competition from non-Commonwealth sources of supply.

Despite the record-breaking economic activity of the Commonwealth countries or the magnitude of U. S. capital investments and economic aid, expenditures on the whole tend to outrun dollar earnings of these countries. Foreign exchange controls still exclude or greatly limit the imports of U. S. products. Empire tariff preferences for products originating in British dominions or territories still tend to exclude or handicap products from non-Commonwealth areas. Since 1948, there have been no significant reduction of the margin of preferences for products originating in the Commonwealth, and in several instances the preference has been increased. Marketing boards, having a monopoly over imports and exports, promote intra-Commonwealth trade even though Commonwealth prices may be higher than those of non-Commonwealth supplies.



United Kingdom

Currently and historically, the United Kingdom is the largest importer of U. S. products. The U. S. had supplied that market without interruption from early colonial times. Yet that market was jeopardized in 1947 by foreign exchange crisis and severe restrictions by the Government on all agricultural imports from the U. S. The U. S. share of U. K. imports of agricultural products, especially cotton, fruits, vegetables and tobacco, is well below prewar largely due to increasing shipments from Commonwealth areas. However, since 1947, imports of U. S. products have been partially restored. U. S. foreign aid programs have contributed to increased takings of U. S. farm products. The demand for U. S. products in the United Kingdom is strong, but U. S. competition in the

market is limited by the subsidization of domestic production and the trade barriers mentioned above.

Canada

A tremendous impact is felt by U. S. agricultural trade as a result of Canadian governmental policies, and the high level of economic activity in Canada. The value of trade in all products between the U. S. and Canada is greater than that between any other two countries in the world. Canada is our third largest foreign market for agricultural products next to the United Kingdom and Japan, but it is also a serious competitor in foreign markets for grain, flaxseed, deciduous fruit, tobacco, meat, dairy, and poultry products.

Total U. S. agricultural exports to Canada for the year ending June 30, 1955 amounted to \$301 million compared with \$259 million for the previous year. Increasing competition is being felt in the Canadian market from the domestic production of corn, oilseeds, and fruits and vegetables.

Certain U. S. products have had an advantage in the Canadian market because no other supplier in the Western Hemisphere could provide the type and quality of product demanded by Canadian consumers. They include fresh oranges and grapefruit, tomatoes and other winter vegetables, and rice. The trade in raisins has been handicapped by preferential tariff treatment for the Australian product. The trade in canned mixed fruits has recently been subjected to increased duties to encourage greater consumption of certain Canadian fruits.

Canadian mills traditionally have bought U. S. raw cotton; however, in recent months U. S. cotton has lost ground to Mexican and Central American staple that has been available at less than U. S. prices.

Exports of Irish potatoes from the U. S. to Canada have risen in recent years. Canadian imports amounted to 120 million pounds in crop year 1953-54, and 292 million pounds in 1954-55. The increase has not displaced Canadian potatoes for the following reasons:

(1) increased Canadian demand for early potatoes and Idaho Bakers; and (2) two-way border trade, particularly in the Red River Valley area and the Far West. There is a flow of trade also in potatoes from either country that has an ample supply at a time when the other has depleted its supply.

Canada carries out an aggressive sales campaign for its surplus commodities. It places no restrictions on domestic production of such products, and it excludes U. S. products from competition with Canadian surpluses. Recently, some Canadians have been highly critical of U. S. surplus disposal program, yet the Canadian Government has rendered financial assistance to move various products. Butter has been sold

below the domestic price to Soviet-bloc countries in Eastern Europe. Wheat has been sold for local currencies in Asia, and elsewhere on long-term credit, which the Canadian Government guarantees.

The U. S. may expect a continuation of competition from Canadian exports of grains, tobacco, fruit, butter, and livestock and poultry products. In recent years, rising Canadian consumption has absorbed most of its output of beef, pork, cheese, and poultry products. The current production trends appear to indicate rising export surpluses, particularly of bacon, ham and poultry products.

Canadian hog numbers continued to expand during 1955. Exports of pork to the U. S. declined 20 percent during the period July 1 - October 30, 1955 compared with the similar months of 1954. With the prices in Canada currently substantially above those here, the flow of Canadian pork into the U. S. may be expected to be low during the first half of 1956.

Price and supply indicate likelihood of some movement of U. S. livestock into Canada in 1956. Because of the price relationships some types of U. S. pork should also move into Canada in 1956.

Canadian butter stocks in storage were the highest on record on November 1, 1955, amounting to 128 million pounds. Domestic demand, and sales to Communist East Germany at cut-rate prices totaling 7-8 million pounds, has reduced the butter surplus.

Wheat acreage has been more stable in Canada than in the U. S. and may possibly decline in some of the Prairie provinces as the development in oil, natural gas, and other industries may create the market for a more diversified agriculture. Increased rather than reduced output has been the rule so far, because of favorable weather conditions, improved equipment, and improved production techniques in the grain belt.

Australia and New Zealand

Australia.--Livestock and grain production prospects in Australia are particularly good for 1956. In an effort to rectify its foreign payments position by June 1956, the Australian Government has a program to expand agricultural exports to the United Kingdom and other Commonwealth countries while at the same time adopting a policy of restricting imports.

The exportable surplus of wheat for 1956 has been estimated at 120 million bushels. Exports of 94.3 million bushels were made in 1954-55 fiscal year. To encourage exports, consideration has been given to sales on credit, and exports to some countries in exchange for tariff concessions. Canned fruit exports from Australia now account for about one-half of the United Kingdom's import requirements.

Additional irrigated areas amount to about 350,000 acres and will be brought into production in Australia in 1955-56.

New Zealand.--New Zealand's emphasis on production and export of such primary commodities as meat, wool and dairy products will continue in 1956 and for some years to come. Land in grass or under cultivation is increasing at the rate of about 50,000 acres per year with gradual increases in yields. Besides the United Kingdom, New Zealand is interested in developing markets in Western Europe and the Iron Curtain countries. There is also evidence of intensification of efforts to sell in dollar countries, particularly Canada.

British West Indies

Fresh and canned citrus fruit production is being maintained in Trinidad, Jamaica, British Honduras and Dominica as a result of the United Kingdom's protection policies. It is the restrictive trade policy of the U. K. rather than the quantity of production in the B.W.I. which is a threat to U. S. exports of these commodities to the United Kingdom and other Commonwealth countries.

British Africa

Programs in progress in British Africa call for increased production of fiber and foodstuffs for export and of foodstuffs for domestic use. Increased production of crops in competition with U. S. agricultural exports is now being emphasized in many African areas. These projects and others being started may be expected to have at least a gradually accumulative effect on foreign competition and demand for U. S. products, particularly in the United Kingdom.

A great expansion of tobacco growing has taken place since the war in the Federation of Rhodesia and Nyasaland, mainly for the United Kingdom, Australian and South African markets -- under the limitations of dollar expenditures by the United Kingdom preferential tariff and guaranteed purchase agreements. The Federation is the number one competitor of the U. S. in exports of both flue-cured and fire-cured leaf. In 1954 tobacco constituted about 16 percent of the total value of exports of the Federation, and the 1954-55 crop in Southern Rhodesia set a new record value of \$57 million. Nigeria is now producing an important portion of its domestic tobacco requirements for cigarettes, but still buys a major part of its import requirements of unmanufactured leaf from the U. S.

Cotton production in Nigeria has increased from an average of 48,000 bales in 1945-49 to an estimated 180,000 bales in 1954-55 with a production goal of 720,000 bales. Tanganyika's cotton output has increased from about 65,000 bales in 1952-53 to about 100,000 bales in 1955-56. Uganda's cotton production increased from a 1935-39 average of 281,000

to a high of 331,000 in 1953, but declined to 250,000 in 1954 and estimated 300,000 in 1955-56. Cotton production in the Sudan has increased from an average of 248,000 bales in the 1935-39 period to 407,000 bales in 1954.

As a result of a program for improvement and expansion of corn and exceptionally good growing conditions, the Union of South Africa has become in the past two years a substantial corn exporter, mostly to European markets. Well over a million tons of corn is available for export in 1955-56 from the Union provided the rail facilities can move it to ocean ports. Moderate export surpluses of corn also exist in Kenya and the Federation of Rhodesia and Nyasaland.

Exports of South African deciduous fruits set a new record volume for 1954-55, with 87 percent going to the United Kingdom. Exports of oranges from South Africa increased from 93.5 thousand tons in 1938 to 144 thousand tons in 1953, principally to the United Kingdom. Exports of canned fruit from South Africa, principally to the United Kingdom, have increased from 2 thousand tons in 1938 to 42.2 thousand tons in 1953, of which slightly less than one-third is peaches and one-fourth is pineapples. This trend is expected to continue.

Since 1949, significant increases in cash income from export crops (particularly cacao, coffee, tobacco and tea), and expanding mineral production have made possible increased imports. British Central Africa imports wheat and flour, canned foods, dairy products, canned meat, sugar and alcoholic beverages. These have come chiefly from British Commonwealth areas. Wheat flour in West Africa is imported principally from the United States. Other imports from the U. S. by British African territories include tobacco, tallow and forest products.

In British and French territories in Africa, postwar foreign exchange regulations and import licensing, in addition to preferential trade arrangements that were already in effect in the prewar period, have kept a large percentage of African trade (both imports and exports) within the respective British and French grade blocs. However, under the Niger Convention, most of West Africa, British East Africa, Nyasaland, the northeast corner of Northern Rhodesia, and the Belgian Congo, under the Congo Basin Convention, there are supposed to be no preferential tariffs. Trade liberalization with the O.E.E.C. countries in 1954, however, has increased the African trade with other Western European countries. The preferential duties and other barriers continue to restrict the traditional markets for U. S. agricultural products, such as tobacco fruit, oilseeds, and edible fats, in the United Kingdom and other Commonwealth areas, and also in France and French territories. Although all cotton enters the United Kingdom free of duty, policies are designed to secure an increasing proportion of imports from Commonwealth areas.

In 1954, the sale of U. S. farm products in Africa totaled only \$54.1 million, while the U. S. imported African agricultural products valued at \$344.7 million -- more than two-thirds of which was spent for cocoa and coffee.

With rising incomes in many African areas, the great need for increasing food consumption and improved diets could be more nearly met if these territories were permitted to utilize a higher proportion of the dollars they earn for importing U. S. food products.

Latin America

In general, agricultural production in Latin America complements that of the U. S. Half of the U. S. agricultural imports come from Latin America. These products include coffee, bananas, cacao, sugar, wool, and many tropical and semi-tropical items. Nevertheless, there is a wide area of agricultural competition not only for the Latin American market itself, but also from Latin American countries in third markets.

Latin America Competes in Third Markets

Competition with U. S. export crops in third markets comes largely from Argentine grains and flaxseed and from Brazilian and Mexican cotton. Argentine grain exports have not kept their place in world markets, having declined in relative terms since the prewar period. That country, however, still ranks third in world wheat exports. On the other hand, flaxseed production has increased tremendously in recent years. Argentina now has shifted from an importer to an exporter; thus competing with the U. S. in the export market.

Competition from Latin American cotton has increased steadily in recent years, with Mexico and Brazil the leaders. Recently, however, several Central American countries have also become competitors in the cotton export market.

Competition for the Latin American Market

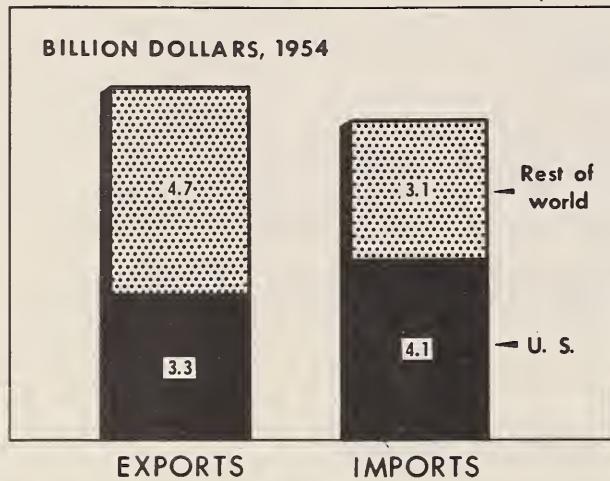
U. S. exports of agricultural products to Latin America reached a peak of about 560 million dollars in 1952, but there has been a slackening off during the past three years. Agricultural exports are facing increasing competition in Latin American countries from expanded domestic output in some of the principal markets, restriction of imports because of balance of payments difficulties, and diversification of trading partners through bilateral arrangements. Mexico, for instance, grew more corn, beans, and wheat compared to the previous year, thereby sharply reducing its imports from the U. S. Colombia, once a fine market for U. S. cotton, is now virtually self-sufficient in this important crop. Brazil and Chile continue to restrict dollar imports in an effort to improve their exchange position. High import duties, notably in Mexico and Colombia, curtail imports of processed milk, poultry, and processed fruits and vegetables. The cutback in Cuba's sugar production and consequent decline in exchange earnings together with expanded domestic output of rice have resulted in less imports of U. S. rice.

LATIN AMERICA

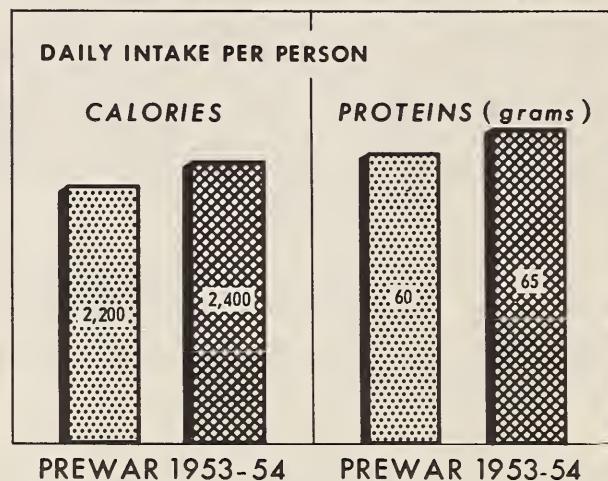
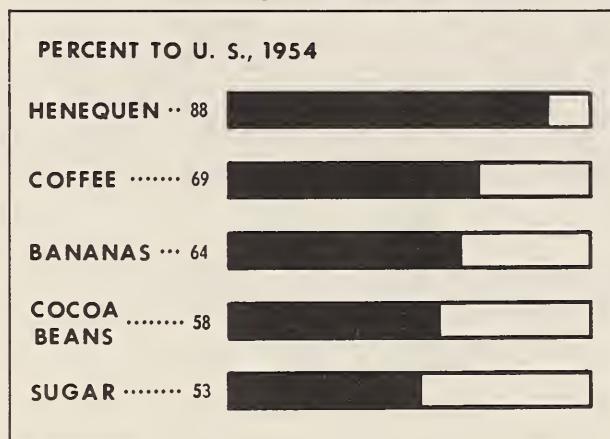
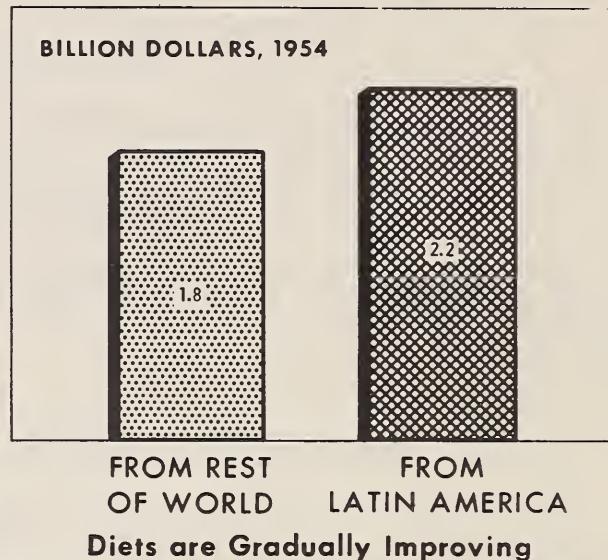
~ U. S. ECONOMIC PARTNER

L. A. Foreign Trade is Mainly with U. S.

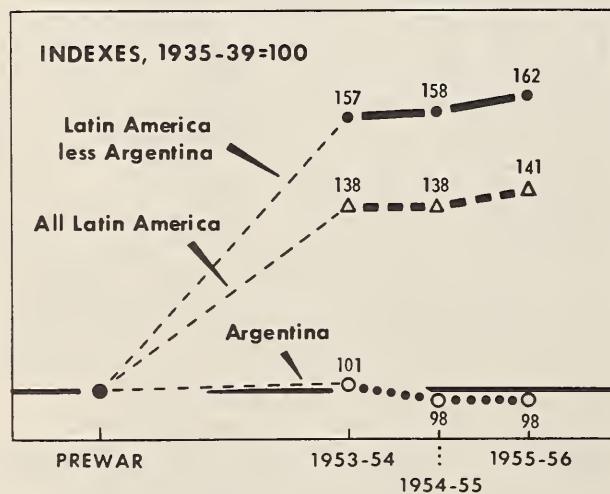
Principal Source of U. S. Agric. Imports



Its Tropical Crops Go
Mainly to the U. S.

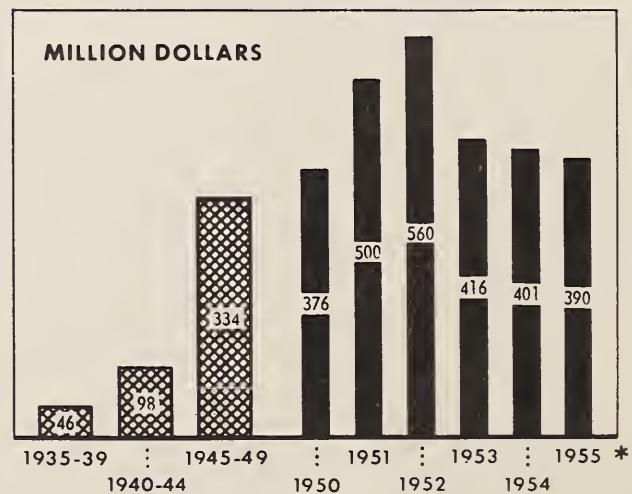


Agricultural Production



* ESTIMATE

Value of U. S. Agricultural Exports



The northern Latin American countries are the most important markets for U. S. farm exports, Cuba being the best. Mexico, Venezuela, and Colombia are also important markets. In all of these countries, which traditionally import from the U. S. for dollars, there is increasing competition from Canada and countries in Europe that are offering better credit terms and accepting somewhat lower prices than the U. S.

Exchange Availabilities

Those Latin American countries with the most difficult foreign exchange problems in 1955 -- Argentina, Chile, Brazil, Colombia, Paraguay, and Bolivia -- will enter 1956 with little improvement in this respect. Easing of the situation will depend on increased agricultural production and export of agricultural commodities. In Argentina, for example, 90 percent of the foreign exchange available is from the export of farm products. In Brazil and Colombia, coffee accounts for most of the foreign exchange earnings. The prosperity of Chile and Bolivia, however, depends primarily on minerals, chiefly copper and tin.

In the northern countries, also, outlets for their products in the U. S. will largely determine their ability to buy U. S. products. Cuba depends on foreign exchange obtained from sugar exports to pay for its external purchases and Central America depends on the foreign sales of coffee, bananas, and cacao. Venezuela, on the other hand, has an economy tied to the production and export of petroleum. Its economic situation is excellent, but the country fears possible restrictions on imports of petroleum by the U. S.

Outlook for 1955-56

Prospects for agricultural production in Latin America in 1955-56 are for a slight increase over the previous year, and about 40 percent above prewar. On a per-capita basis, the combined production in all countries with the exception of Argentina will be about 12 percent above prewar. Exports of agricultural products from the U. S. to Latin America in 1955-56 will probably not exceed a total of \$375 million, considerably below the 1952 peak and less than the \$401 million exported to the 20 Republics in calendar year 1954.

The Middle East

In Middle East agricultural production in 1955-56 was slightly higher than in the previous season, but below the 1953-54 level. The net wheat deficit, including flour, appears to be about 400,000 tons. The increased crop outturn was due entirely to larger harvests of grain and cotton in Turkey and Iran, as total agricultural production in all other Middle East countries was below the 1954-55 level. The area also had increases in the production of pulses, sugar, tobacco, and citrus fruits.

Table 54.--Latin America: index of agricultural production 1953-54 to 1955-56
prewar equals 100

Country	Total			Per Capita		
	1953-54	1954-55 1/	1955-56 2/	1953-54	1954-55 1/	1955-56 2/
Argentina.....	101	98	98	67	65	63
Brazil.....	142	141	146	108	104	107
Cuba.....	176	158	160	129	114	114
Mexico.....	213	237	254	136	148	155
Total Latin America.....	138	138	141	99	96	97
Total Less Argentina.....	157	158	162	114	111	112

1/ Preliminary.

2/ Forecast.

Table 55.--Latin America: index of population, total and selected countries, 1935-39 = 100

Country	1952-53	1953-54	1954-55	1955-56
Argentina.....	146	148	152	155
Brazil.....	129	132	135	137
Chile.....	132	133	135	137
Cuba.....	136	137	139	140
Mexico.....	151	155	160	163
<u>Total Latin America.....</u>	<u>136</u>	<u>139</u>	<u>143</u>	<u>146</u>

Turkey and Egypt are the main countries producing sizable agricultural surpluses that enter world trade in competition with U. S. agricultural products. Turkey is most competitive with increasing production in recent years of wheat, cotton, and tobacco. These commodities are all benefiting, in varying degrees, from government price support measures. Supports are very high on wheat; whereas, for cotton they have been largely restricted to emergency situations. Egyptian cotton displaces U. S. cotton in some markets. The production and exports of barley are also being expanded in several Middle East countries. Exports are largely to Western Europe where they compete with U. S. feedgrain exports.

Grain.--In all countries of the area except Turkey and Iran, wheat and total grain production was lower in 1955-56 than in the preceding year - sharply so in Iraq, Jordan, and Syria. Each of these countries, as well as Israel, is expected to be a net importer of wheat during 1955-56, in contrast with the previous year when Jordan was self-sufficient, and Iraq and Syria had relatively substantial export availabilities.

Rice production for the area was slightly lower, but was greater in the principal exporting country - Egypt.

In 1956 net grain imports, largely wheat, by Middle East countries may exceed 1955 imports despite increased production in the area. Egypt, Jordan, and Syria are expected to require a total of about 500,000 tons of imported wheat. Israel will need 300,000 to 350,000 tons, and Lebanon 150,000 tons. Wheat exports principally by Turkey, are not expected to exceed 600,000 tons, leaving a net deficit for the area of about 400,000 tons. A considerable volume of rice and barley will be available for export from the area.

Cotton.--Cotton is one of the two principal non-food crops grown in the Middle East and the area's total production was higher in 1955-56. In Egypt, the principal cotton growing country, estimated production of 1.8 million bales in 1955-56 is about 13 percent larger than the prior crop.

Several countries in the area, including Turkey, Syria, Iran, and Israel have programs for the expansion of cotton acreage and production; but the acreage planted in Egypt in 1956 is expected to be lower. Egypt currently has considerable stocks of cotton and a wheat shortage and its farmers are again being required by law to plant at least one-third of their cropland in wheat. In 1955-56 cotton production was at record levels in both Turkey and Iran, with 675,000 bales and 275,000 bales respectively.

In 1954-55 exports by countries of the area totaled 2.2 million bales. Imports were negligible. Cotton is the most important agricultural export from the area and is an important foreign exchange earner for Egypt, Turkey, Syria, and Iran. Due to lower prices and marketing difficulties for cotton, Egypt had a foreign trade deficit of \$63 million for the first six months of 1955, compared with a surplus of \$23 million for the corresponding period of 1954. In an effort to overcome export marketing difficulties, Egypt has in recent months concluded several barter agreements with Soviet-bloc countries for the exchange of cotton for industrial goods.

Tobacco.--Turkey's output of oriental-type leaf accounts for roughly 80 percent of the tobacco grown in Middle Eastern countries. In 1955-56 tobacco production was larger in Turkey and Iran, but less in Iraq and Syria. For 1954, exports by countries of the area totaled about 160 million pounds, and imports about 25 million. United States shipments to the Middle East in 1954 totaled 15 million pounds. The principal market for U. S. tobacco in the area is Egypt.

Tobacco production in Turkey in 1955 was at the record level of 259 million pounds. At least three-fourths of the Turkish crop will be available for export. Turkey is also the U. S. most important source of oriental-type tobacco.

In a number of these countries there is a need for increased quantities and a wider variety of food products, many of which the U. S. could supply, but low incomes and lack of foreign exchange continue to limit imports.

Far East

(excluding China)

Cotton and rice are the leading agricultural products grown in Far East countries that enter world trade in competition with U. S. agricultural products. Most of the cotton grown in the area is produced in India

Table 56.--The Middle East: indices of agricultural production
by countries 1953-54 to 1955-56

Country	Total Production			Per Capita Production		
	1953-54	1954-55	1955-56	1953-54	1954-55	1955-56
(1935-39 equals 100)						
Egypt.....	101	109	113	73	77	77
Iran.....	120	119	132	97	94	104
Iraq.....	162	155	135	111	104	87
Israel.....	128	124	123	106	101	98
Jordan 1/.....	119	157	95	70	92	55
Lebanon.....	180	175	169	125	116	108
Syria.....	178	203	147	121	150	95
Turkey.....	190	150	167	140	99	118
Total Middle East.....	147	138	142	109	100	100

1/ Includes nearly one-half million refugees who have been maintained on a minimum subsistence level by United Nations Relief Agencies.

Table 57.--Middle East: indices of agricultural production

Country	Total production			Per Capita Production		
	1953-54	1954-55	1955-56	1953-54	1954-55	1955-56
(1935-39 equals 100)						(1935-39 equals 100)
Egypt.....	101	109	113	72	77	77
Iran.....	120	119	132	97	94	104
Iraq.....	162	155	135	111	104	87
Israel.....	128	124	123	106	101	98
Jordan 1/.....	119	157	95	70	92	55
Lebanon.....	180	175	169	125	116	108
Syria.....	178	203	147	121	150	95
Turkey.....	190	150	167	140	99	118
Total Middle East.....	147	138	142	109	100	100

1/ Includes nearly one-half million refugees who have been maintained on a minimum subsistence level by United Nations Relief Agencies.

and Pakistan. Both governments have under way vigorous cotton expansion programs and increased exports from the area may be expected in future years. Burma and Thailand are the leading rice exporters. Larger volume and improved quality of rice may be expected from the Burma-Thailand area in the next few years.

Most countries of the area are striving for greater self-sufficiency in agricultural production. The success of some of these programs is resulting in a decline in demand for certain U. S. agricultural products. For example, increased flue-cured tobacco production in the Philippines is being followed by less need for imports of U. S. leaf. Cotton production in India has expanded to a point where there is little demand for U. S. cotton in what was once an important market.

Total agricultural production in Asia is at a record level. Populations are growing rapidly, however, and on a per-capita basis, production is still below prewar for most countries. Because of its importance as an importer of U. S. agricultural products, Japan is discussed separately below.

South Asia.--Total agricultural production in South Asia -- India, Pakistan, and Ceylon -- is expected to establish a new record in 1955-56, due to generally favorable weather, basic improvements in production practices, extension of the area under cultivation, and extension and improvement of irrigation systems.

Southeast Asia.--Southeast Asia--Indochina, Malaya, Indonesia, Burma, Thailand and Philippines--is the world's principal supplier of rice, rubber, copra and abaca. In 1955 production of rice and copra were substantially above that of the previous year, rubber output was practically unchanged, and abaca production somewhat lower. Rice is the principal food crop grown and consumed in every Southeast Asian country. The countries of the area import all or much of their requirements of wheat and wheat flour, cotton, cigarette tobacco, milk products and meat.

Northeast Asia.--Total agricultural production in Northeast Asia (Japan, South Korea and Taiwan) in 1955 was well above the good 1954 outturn. In Japan (the principal U. S. export market in Asia) total agricultural production was at an alltime record high and new production records were achieved for numerous crops, including the most important one -- rice.

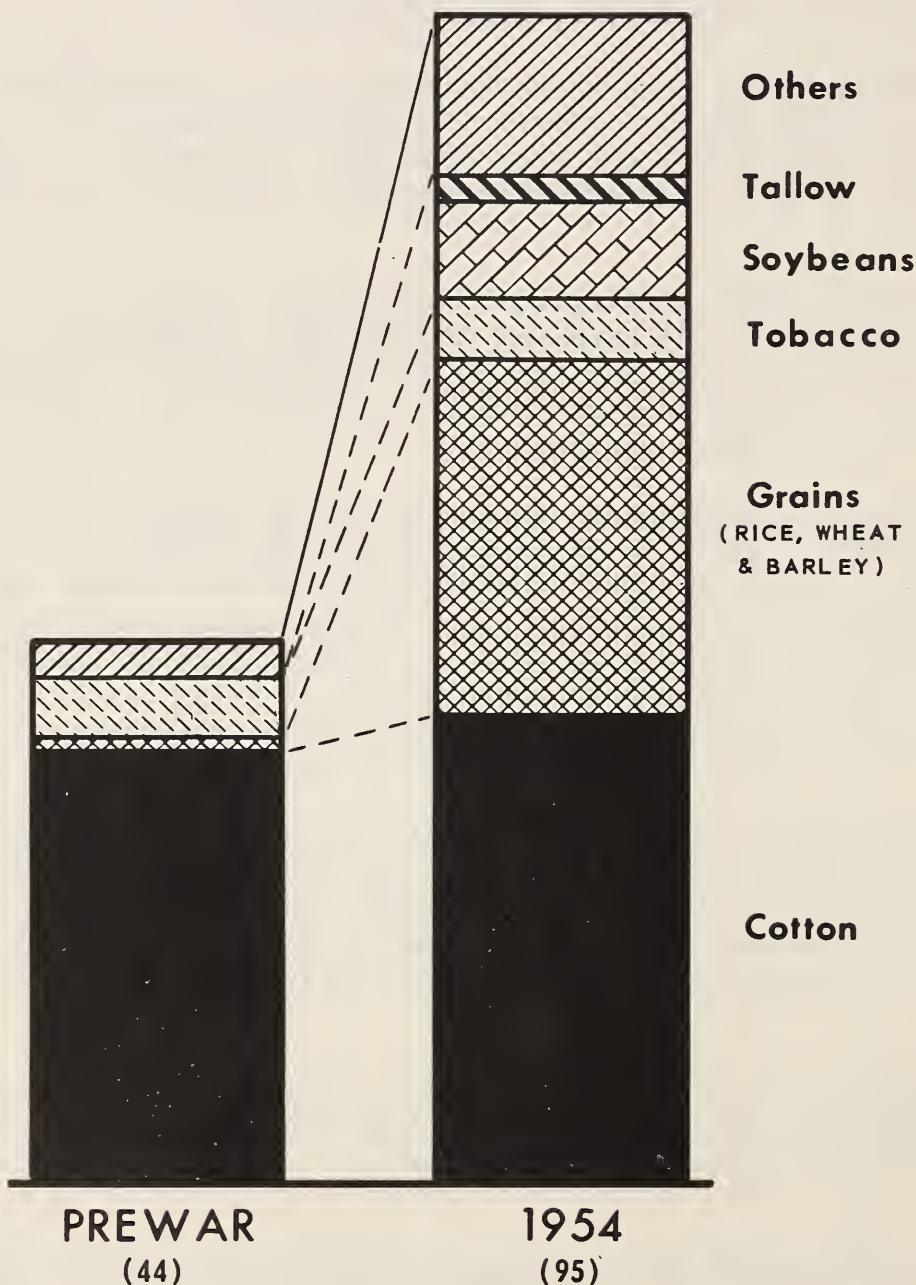
The acute food shortages of the early postwar years have been largely overcome, and steps are being taken by some Asian governments looking to improving the quality and variety of diets.

Foreign Exchange Positions Improve in Several Far East Areas

Most Asian countries still encounter difficulty in earning the foreign exchange necessary to pay for needed imports. However, some

U.S. AGRICULTURAL EXPORTS TO ASIA*

QUANTITY INDEX
1952-54 = 100



*EXCLUDES CHINA AND NORTHERN KOREA

Table 58.--Far East: indices of agricultural production

Country	Total Production			Per Capita Production		
	1953-54	1954-55	1955-56	1953-54	1954-55	1955-56
(1935-39 equals 100)						
Burma	83	87	88	68	71	70
Cambodia	106	100	106	80	75	77
Ceylon	143	142	145	97	94	94
India	125	125	127	101	99	100
Indonesia	112	118	120	93	96	96
Japan	98	109	119	78	85	92
Laos	111	96	106	79	69	76
Malaya	137	140	141	91	90	88
Pakistan	104	103	108	92	90	94
Philippines	140	148	151	101	104	104
South Korea	107	108	109	79	78	78
South Vietnam (Cochin-China)	76	74	73	55	54	53
Taiwan	99	95	97	51	51	51
Thailand	194	181	190	142	129	133
Total Far East	117	119	122	94	94	95

improvements in balance-of-payments position have been achieved in the past year by several countries, including Japan, Thailand, Indonesia, and Ceylon. A worsening of position has occurred in Burma and the Philippines.

General Economic Situation in Specified Areas

Substantial economic progress has been made in India under the country's first Five-Year Plan, which ends in March 1956. Production of most crops in 1955-56 significantly exceeded the plan's targets. Industrial production has shown a steady upward trend throughout the entire period of the plan, but progress in industry has not been as great as in agriculture. This is partly due to the good growing weather enjoyed during the past 3 seasons, and because the difficult food and fiber situation in 1950 and 1951 caused India to give high priority to farm programs in the first Five-Year Plan. The second plan will place less emphasis on agriculture and more on industry -- particularly heavy industry and cottage industries. Unemployment is a critical economic and political issue in India, and the situation is becoming increasingly acute, despite expanding industrial activity.

Pakistan continues to be faced with severe foreign exchange problems, which first became acute when world prices for raw materials dropped following the Korean-war boom. Rigid controls continue on imports, exports, and the use of foreign exchange.

Largely because it is necessary to maintain very large armed forces, both Korea and Taiwan are heavily dependent upon foreign assistance to maintain imports of essential goods. Both countries are nearly self-sufficient in essential foodstuffs and other agricultural products except cotton, tobacco and wheat.

Grains.--For the free countries of the Far East for 1956, the net foodgrain deficit is estimated at 3.5 million short tons of rice, wheat, wheat flour, and barley. By countries, the deficits are as follows:

Estimated grain deficit in 1956

Country	Amount
	Million short tons
India	1.0
Pakistan	0.3
Ceylon	0.6
Malaya	0.7
Philippines	0.3
Indonesia	0.4
Japan	4.0
Other	0.2
Total	7.5

The aggregate of foodgrain production in the 3 countries of South Asia (India, Pakistan and Ceylon) is at a record or near record level. India's rice harvest is believed to be the second highest on record, exceeded only by the large 1953-54 outturn. Excellent soil moisture in the major wheat growing area at planting time indicates that the 1955-56 wheat harvest will exceed the record 1954-55 crop. Pakistan's 1955-56 rice harvest is believed to be larger than that of 1954-55, but below the large 1953-54 outturn. Due to recent severe flood damage in parts of West Pakistan, wheat harvest may be somewhat below the preceding season's outturn. Rice is the only food grain grown in Ceylon. The 1955-56 harvest is expected to be slightly larger than in 1953-54 and 1954-55, when record crops were produced. However, Ceylon still grows only a little over one-half of its rice requirements.

In 1956, India may import about a half-million tons each of wheat and rice, primarily for consumption in the major port cities. All requirements for imported rice will probably be filled by purchases from Burma. Australia will probably be the principal supplier of wheat. Due to a rather small wheat crop and to flood damage in the Punjab, Pakistan may import 200,000 to 300,000 tons of wheat and some rice. Ceylon will need to import about 200,000 tons of wheat flour. Australia and Western Europe probably will supply Ceylon's requirements. Under long-term agreements, Ceylon is committed to purchase a total of 470,000 tons of rice from Burma and Communist China in 1956. However, Ceylon will not need the full commitment for consumption in 1956 and actual receipt of some purchases is likely to be delayed until 1957. Food grain exports from South Asia (India, Pakistan and Ceylon) will be negligible and will consist of small sales of high quality rice by India and the possible export of some rice from West Pakistan.

Rice surpluses in Burma, Thailand, Indochina, Taiwan (Formosa) and South Korea are estimated at 4 million tons for 1956. Increased rice production is being vigorously pushed by the Government of Thailand by various means (including improvements in the country's irrigation system and the introduction of improved cultural practices). These are expected to result in an increase in exportable surplus from the present level of around 1.4 to 2.0 million tons within the next 3 or 4 years. Much of this rice will compete directly with U. S. rice in Far Eastern and other foreign markets.

In Burma, the other major surplus rice producing country in Asia, rice acreage and production are expected to remain at or near present levels. In earlier years, the government's policy was to expand rice production, but increased competition in world markets has resulted in at least a temporary abandonment of this policy. Current policy is to concentrate on improvements in quality, and in marketing and handling procedures.

Unsettled conditions in Indochina are not conducive to the area regaining in the next few years its former position as a rice exporter.

The Philippines are approaching self-sufficiency in rice, but Malaya, including Singapore, will import a substantial portion of its requirements. Indonesian imports will be relatively higher in 1956 than for a number of years.

Cotton.--Total consumption of raw cotton in Far Eastern countries in 1954-55 is estimated at 7.6 million bales (500-pound), about 1.8 million bales more than estimated production of 5.8 million bales. Imports by countries of the area totaled 3.4 million bales, while exports totaled 1.1 million.

As part of their over-all economic development plans, India and Pakistan have vigorous programs for the expansion of cotton production. India's goal is the production of 5.8 million bales (392 pounds net) annually by the end of that country's second Five Year Plan (March 1961). This compares with 4.3 million bales in 1954-55 and only 2.6 million in 1949-50. Pakistan plans the rapid expansion of production to 2.5 million bales from the current (1954-55) level of 1.4 million bales. Some of the expected increase in production will be used in domestic mills, but some will also enter European and Far Eastern markets in direct competition with U. S. cotton.

Tobacco.--In recent years, exports by countries of the area totaled about 140 million pounds, and imports about 90 million. U. S. shipments to the Far East in 1954 totaled 50 million pounds, largely flue-cured type leaf. The principal markets for U. S. tobacco in the area are the Philippines, Indonesia, Japan, and Thailand.

Production of cigarette-type tobaccos in the Far East has increased greatly in recent years and this upward trend is likely to continue. This not only displaces the exports of U. S. leaf to these countries, but is offering more and more competition to U. S. tobaccos in other world markets.

In recent years, India has been the world's third or fourth largest exporter of flue-cured tobacco, most of which goes to the United Kingdom. Pakistan is expanding the output of flue-cured greatly and is now exporting small quantities.

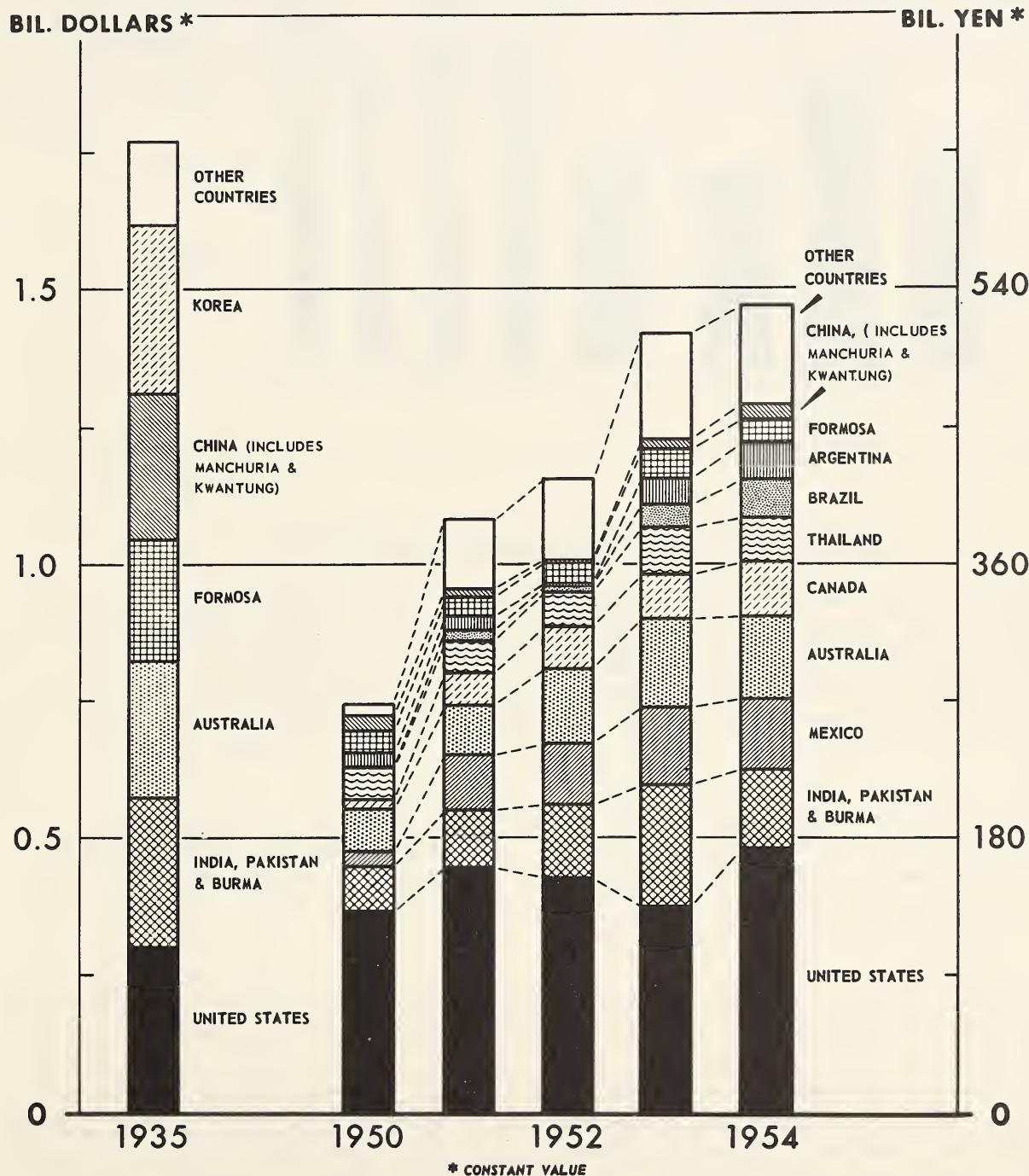
Production of flue-cured leaf was started only a few years ago in the Philippines, but output has increased to the point that imports of U. S. leaf will likely be reduced sharply in the future.

Output has likewise increased greatly in Thailand, Indonesia, Burma, Japan and Pakistan. While output of cigarette leaf has increased in the Philippines and Indonesia in recent years, the production of cigar tobaccos have also expanded, but the levels of these traditionally important cigar export types are still well below prewar and may not ever regain their former levels.

U.S. IS JAPAN'S BIGGEST SUPPLIER

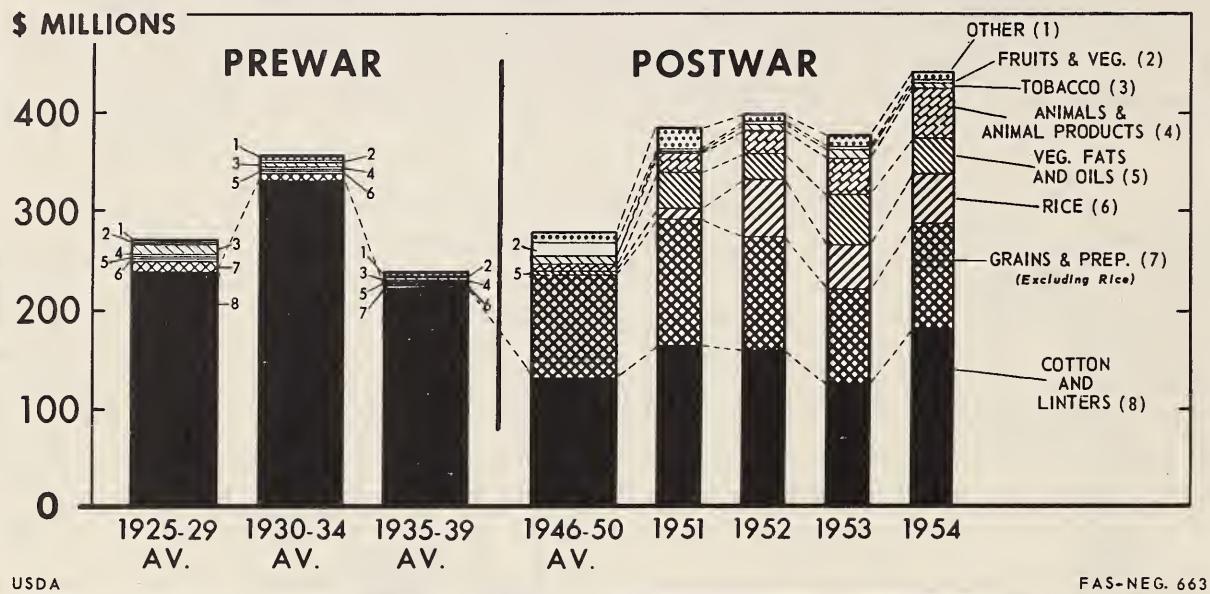
Japan's Agricultural Imports from the United States, and Competitive Imports from Other Countries

Valued at 1952-54 Prices



JAPAN: A BIGGER AND MORE DIVERSIFIED MARKET FOR U. S. AGRICULTURAL PRODUCTS

U. S. Agricultural Exports to Japan Valued at 1952-54 Prices.



USDA

FAS-NEG. 663

Japan - One of Our Most Important Markets

Japan is one of the world's leading importers of agricultural products, depending heavily on foreign sources for its supplies of both food and fiber. It ranks among American agriculture's largest foreign outlets, taking first place each calendar year 1951 through 1954. In 1954, Japan took 22 percent of all U. S. exports of raw cotton, 20 percent of the wheat, 48.5 percent of the rice, and 38.5 percent of the soybeans.

Japan achieved new production records in 1955 for several crops including the most important one -- rice. Industrial production has continued the upward trend established over the postwar years, as reflected in the index of 185 for mid-1955, compared to 174 for 1954, 132 for 1952, and 88 for 1950 (1934-36 equals 100).

Japan's exports during the first eight months of 1955 were well above the corresponding period of 1954, and the export boom is expected to continue well into 1956. Exports to the U. S. during the first eight months of 1955 were 62 percent greater than during the corresponding period of 1954, but still were only half the value of imports from the United States. This, however, was an improvement over previous years when exports to the U. S. were only one-third as large as imports from this country. The difference has been covered by special dollar earnings, which amounted to \$800 million in 1952 but had declined to less than \$250 million during the first half of 1955. If the decline in these earnings continues, and if currencies remain inconvertible, it seems clear that Japan will have

to increase its exports to the U. S. or reduce the level of imports from the U. S.

Japan's foreign exchange holdings at the end of June 1955 were \$1,131 million, compared to the low of \$779 million reached at the end of May 1954. By far, the greater part of this increase was in the holdings of sterling, with much less improvement in dollar and open account holdings. About \$200 million of the holdings are in restricted credits to Indonesia and Korea and not available for spending. Furthermore, there are deferred liabilities of more than \$100 million arising from the financing of imports by sterling and dollar usance and U. S. Export Import Bank cotton credits.

